## PARLIAMENT OF VICTORIA



#### **Public Accounts and Estimates Committee**

# Report on the 2021-22 Budget Estimates

Parliament of Victoria
Public Accounts and Estimates Committee

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## **About the Committee**

#### **Functions**

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

The Committee comprises ten 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
- audit priorities for the purposes of the *Audit Act 1994*.

The Committee also has a number of statutory responsibilities in relation to the Office of the Auditor-General and Parliamentary Budget Office.

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This report is available on the Committee's website.

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## Chair's foreword

It is my pleasure to present the Public Accounts and Estimates Committee's *Report* on the 2021-22 Budget Estimates.

Each year the Committee scrutinises the Government's financial management and makes recommendations which promote clear and full disclosure of the information contained in the budget papers.

The Committee's inquiry report has been tabled in Parliament at a critical time in our State's history. The outlook in the Budget is optimistic, however like the rest of Australia, indeed the world, Victoria is still beset by the effects of the COVID-19 pandemic. This Budget expends \$86 billion to grapple with the current realities of the pandemic, to support economic recovery and invest in Victoria's future. The social and economic impacts of the COVID-19 pandemic and the associated response will likely be felt for years to come.

In the 2021-22 Budget, the Victorian Government estimates it will spend \$19 billion in new output initiatives and \$7 billion in new capital investment. This funding will support the delivery of job growth, fund a range of major infrastructure projects, bolster Victoria's mental health system, and prepare the State to reach net zero emissions by 2050.

The Committee's role in ensuring the transparency and accountability of public sector finances has never been more important.

The Committee has made 45 recommendations to departments relating to the Government's spending in response to the COVID-19 pandemic, its extensive capital works program, and further improving performance measurement across a range of areas. The Committee looks forward to receiving the Government's response.

I note that departmental staff, Ministers, and the Presiding Officers dedicated significant time and effort to responding to requests for information and the public hearings. On behalf of the Committee, I thank them for their endeavours.

Lastly, I would like to thank the Committee Secretariat for their exemplary work and sound advice on this inquiry led by Dr Caroline Williams and Janithri Wickramaratne. The Committee is also grateful for the support provided by other Parliamentary officers and staff throughout the inquiry process which has greatly facilitated the work of the Committee.

Lizzie Blandthorn MP

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Chair

## **Executive summary**

#### Whole of Government review

The COVID-19 pandemic disrupted the regular budget cycle in Victoria meaning that the 2021–22 Budget was ultimately tabled only six months after the 2020–21 Budget was tabled.

In the 2020–21 Budget the Government introduced a four step plan for economic recovery:

- The first step of the plan was for 400,000 additional people to be employed by 2025 with an interim target of creating an additional 200,000 jobs by 2022. By April 2021, 243,000 jobs had been created since September 2020.
- The second step of the plan was to return to an operating cash surplus. The Government forecasts to return to a surplus of \$1.1 billion by 2022–23, increasing to \$3 billion in 2024–25.
- The third step of the plan was to return to a net operating surplus. The Government records deficits across the forward estimates in its 2021–22 Budget. The 2021–22 Budget does not state the year it will return to a net operating surplus.
- Stabilising net debt is the fourth step of the plan. The 2021–22 Budget estimates net debt to reach \$156 billion by 2024–25, a year later than the 2020–21 Budget forecast. 'Stabilisation' is not defined, nor is a timeframe set for achieving stabilisation in net debt.

Victoria's State Final Demand for the March 2021 quarter was 2.3%, above the domestic (national) final demand of 1.6%. In May 2021, Victoria's unemployment rate dropped to 4.8% from its peak of 7.3% reported in October 2020. Similarly, Victoria's participation rate in May 2021 was 66.6%, slightly above the national average of 66.2%.

The Government forecasts 6.5% growth in gross state product in 2021–22 and the unemployment rate to be 5.75%. The 2021–22 Budget forecasts indicate that Victoria is expected to outperform the national economic indicators outlined in the Commonwealth 2021–22 Budget.

Population growth has been a significant driver of Victoria's economic growth prior to the COVID-19 pandemic. Population growth is estimated to remain unchanged in 2020–21 and below 2% until 2023–24.

In 2021–22, the State's total revenue is expected to be \$74.6 billion, an increase of \$3.2 billion (or 4.4%) compared to the 2020–21 revised estimate. In 2021–22, taxation revenue will account for \$26.6 billion (36%) of revenue. The 2021–22 Budget introduced

several new revenue initiatives to repair the fiscal position of the Government. These include the premium duty rate on land transfer duty and increased land tax rates for high-value landholdings.

In 2021–22, output expenditure for the general government sector is expected to be \$86.2 billion. The 2021–22 Budget allocates \$19.0 billion over five years in new output expenditure and \$7.1 billion in new capital investment.

Employee expenses, the largest driver of general government sector expenditure, have grown at an average of 7% in the five years prior to 2020–21. The Government estimates employee expenses will increase by 7% and 10% in 2020–21 and 2021–22 respectively. From 2022–23, the Government expects employee expenses to grow at an average rate of 2.5%. Substantial investment made during the COVID-19 pandemic was given by the Treasurer as the reason for the increase in employee expenses.

The 2021–22 Budget introduces \$3.6 billion in savings initiatives. The Committee notes that departments have achieved previously assigned savings initiatives.

The 2021–22 Budget estimates capital expenditure to average \$22.5 billion a year over the budget and forward estimates, compared to the \$19.6 billion average outlined in the 2020–21 Budget.

#### **Department of Health**

The Department of Health (DH) has the largest output funding of all departments, with \$23.4 billion allocated in 2021–22, representing 34% of the total output funding across all government departments.

The 2021–22 Budget allocates \$2.7 billion in new output initiatives for the budget year 2021–22, with a total of \$5.6 billion allocated across the next four years. \$328.9 million has been retrospectively allocated for 2020–21 to the vaccine rollout program. No funding has been allocated in 2021–22 and over the forward estimates for the vaccine rollout.

In 2021–22, DH has the second highest total estimated investment (TEI) in total capital projects of \$9.4 billion. DH's new capital program of \$1.9 billion is the largest in the general government sector (38.8%).

The 2021–22 Budget allocates \$3.7 billion over the next four years to *Meeting demand for hospital services,* \$1.4 billion of which will be spent in 2021–22. This will provide funding for additional elective surgery, emergency department staff, highly-specialised therapies and to support new wards.

The funds allocated to elective surgery in the 2021–22 Budget builds on the \$300 million investment for the elective surgery blitz allocated in the 2020–21 Budget. Pausing elective surgery due to public health restrictions during the COVID-19 pandemic led to an increase in the number of patients on the waiting list. It is unclear what proportion of the \$1.4 billion total is allocated to addressing the elective surgery waiting list in 2021–22.

The 2021–22 Budget allocates \$76.1 million in the budget year and \$14.9 million over the forward estimates (totalling \$91 million) to the output initiative *Responding to community based healthcare demand*. This funding is to provide additional dental services, cancer services and maternal and child health services as the delivery of these services was stalled due to public health restrictions during the COVID-19 pandemic. \$13 million will be allocated to cancer prevention and screening. Notably, notwithstanding the additional funding provided to cancer prevention and screening, the 2021–22 Budget shows that the target detailed in the budget papers for the number of women screened for breast cancer by BreastScreen Victoria remains unchanged from 2020–21.

The 2021–22 Budget responds to the recommendations of the *Royal Commission into Victoria's Mental Health System* and invests \$3.8 billion in mental health services. This is in part funded by the Mental Health Wellbeing Levy. The 2021–22 Budget allocates \$206.3 million over the next four years to create 3,000 employment opportunities with more than 1,200 jobs to be created by 30 June 2022.

The 2021–22 Budget allocates \$13.3 million over the next four years for *Supporting the mental health and wellbeing of rural and regional Victoria* to incentivise mental health and wellbeing workers to find employment in rural and regional areas.

The 2021–22 Budget allocates \$2.2 billion to the Mental Health Clinical Care output. The \$2.2 billion investment has not been reflected in the output's targets. Despite the significant investment, the Committee notes that targets relating to 'occupied residential bed days' and 'occupied sub-acute bed days' remain unchanged in the 2021–22 Budget.

DH advised the Committee that in 2020–21, about 52% of patients (5,306 people) presenting to Victorian hospital emergency departments waited more than eight hours before being admitted to a mental health bed. The 2021–22 Budget lowers the expected outcome for the performance measure 'emergency patients admitted to a mental health bed within eight hours' to 54.1% compared to the target of 80% in 2020–21.

Ambulance Victoria's target of responding to Code 1 incidents within 15 minutes for 85% of incidents statewide has continued to decline since the start of the COVID-19 pandemic in March 2020. In the third quarter of 2020–21 Ambulance Victoria's response time fell to 75.1%. The 2021–22 Budget allocates \$470.6 million over the next four years to improve ambulance services in Victoria.

The 2021–22 Budget allocates \$46.5 million over four years and \$116.5 million in TEI to enable a high quality and efficient public pathology system. The funding seeks to improve the processing of large numbers of COVID-19 tests. In addition to the individual testing of COVID-19 symptoms, the department also undertakes wastewater surveillance testing.

With regards to the cost of overhauling the contact tracing platform, DH advised that in 2020–21 the Salesforce platform cost \$34.1 million.

In 2021–22, DH has added 10 new performance measures, eight of which replace discontinued performance measures. The Committee found weaknesses in one of the new performance measures.

#### **Department of Education and Training**

In 2021–22, the Department of Education and Training (DET) has the second largest budget of all Victorian Government departments (\$15.9 billion), accounting for 23% of total government output. In 2021–22 DET has \$1.6 billion in new capital projects. DET's total capital program consists of \$6.5 billion, representing 9.1% of the total general government capital program.

DET's new capital spend is predominantly for land acquisition for new schools and school upgrades. As part of the 2021–22 Budget, 14 new school sites will be acquired and 52 schools will be upgraded.

In line with the Government's focus on reforming Victoria's mental health system post-Royal Commission, the 2021–22 Budget includes almost \$218 million over four years for mental health reform in education. Through this funding the *School Mental Health Fund* will be established and the *Mental health in primary schools* pilot will be expanded.

The mental health and wellbeing levy introduced as part of the 2021–22 Budget will have a financial impact on Victoria's universities that are expected to pay a combined \$50 million in additional payroll tax as part of the levy. Victoria's universities continue to be heavily impacted by the COVID-19 pandemic and the resulting decline in international students. The 2021–22 Budget papers assume international students will begin to return to Victoria in early 2022.

The 2021–22 Budget includes \$33.8 million over four years to support vulnerable and disadvantaged children to participate in early childhood education and care. The kindergarten participation rate in the year before school (four-year-old kindergarten) has declined since 2016–17 by almost 10%. In 2020–21 the COVID-19 pandemic affected the forecast outcome of 89.1% participation.

## **Department of Justice and Community Safety**

In 2021–22 the Department of Justice and Community Safety (DJCS) has the third largest departmental budget (\$8.6 billion), representing 12% of total government output. In 2021–22 DJCS is allocated \$116 million for new capital projects, adding to a further \$3.3 billion in existing projects. DJCS' capital program represents 4.9% of the total government capital program.

The 2021–22 Budget includes \$20 million in funding for crime prevention initiatives. Such initiatives will contribute to the delivery of the Crime Prevention Strategy released in June 2021.

Victoria's corrections population has grown by 58% over the last 10 years, while the cost of the Prisoner Supervision and Support output has grown by 215% between 2009–10 and 2019–20.

The 2021–22 Budget includes funding to reduce the incarceration of Aboriginal children aged 10 to 13.

The 2021–22 Budget does not contain funding for the continued operation of COVID-19 Quarantine Victoria. The Attorney-General advised hotel quarantine had cost over \$442 million between July 2020 and March 2021.

Births, Deaths and Marriages Victoria (BDM) is a part of DJCS. BDM's services have been severely limited due to the health restrictions associated with the COVID-19 pandemic. BDM's phone service was closed from March 2020 to May 2021 and its service centre has remained closed since March 2020.

In 2021–22 DJCS has added six new performance measures, two of which replace discontinued performance measures. The Committee found weaknesses with three of the new performance measures.

#### **Department of Transport**

The Department of Transport (DoT) has the fourth largest budget of the departments, comprising \$6.9 billion or 10% of all 2021–22 output funding. Funding for the Transport Infrastructure output fell by 40.6% and funding for the Road Asset Management output fell by 23.6%. The cessation of the capital asset charge (CAC) and additional funding received in the 2020–21 financial year for COVID-19 impacts on public transport are two major reasons for the relative decline in DoT's output funding for 2021–22.

The total estimated investment for DoT's capital projects portfolio across the forward estimates and beyond is \$46.5 billion. In 2021–22 DoT's projects comprise 66% of the general government capital program. The budget papers show that the department has \$45.8 billion in existing projects and the 2021–22 Budget added \$696 million spread across 17 new projects. The department will spend an estimated \$8 billion in 2021–22. The *North East Link*, the *Level Crossing Removal* program¹ and the *West Gate Tunnel Project* are the three largest capital projects in the department's portfolio.

In 2021–22, the Transport Infrastructure and the Suburban Rail Loop portfolio received \$378.1 million of output funding.

The 2021–22 Budget included 10 new asset initiates—\$2.2 billion total estimated investment—for outputs supporting the Public Transport portfolio. \$985.8 million

<sup>1</sup> The Level Crossing Removal program relates to 50 level crossing sites and was supplemented, in 2018, with the 75 by 2025 initiative, which added 25 additional sites. This report uses 'Level Crossing Removal program' to refer to both phases of the overall program.

has been allocated to acquiring 25 X'Trapolis 2.0 trains and \$367.6 million to provide maintenance infrastructure for 100 *Next Generation Trams* already under construction.

DoT's performance measures indicate that it is upgrading four tram stops to include level access in 2021–22. Seventy three per cent of Victorian tram stops are non-level access, which makes them unfit for purpose for those with a disability.

Between 2019–20 and 2020–21, DoT expended \$969.1 million in payments to offset the impact of COVID-19 on public transport operators and passengers. The 2021–22 Budget does not include such funding.

The Committee identified issues with two of the 11 new DoT performance measures in the 2021–22 Budget.

#### Department of Families, Fairness and Housing

The Department of Families, Fairness and Housing (DFFH) was established on 1 February 2021. In the 2021–22 Budget, DFFH will receive \$6.5 billion in output funding, representing 9.3% of total government output funding.

The 2021–22 Budget allocates \$1.2 billion for four Child Protection output initiatives. Two of these initiatives, *Maintaining the foundations of the children and families system* and *Early intervention and diversion* aim to divert children from care.

While Aboriginal children make up 1.7% of all children in Victoria, Aboriginal children comprise 25% of all children in care placements in Victoria. The Committee notes that the budget papers do not contain performance measures regarding the number of Victorian Aboriginal children in care.

People from diverse backgrounds, including from culturally and linguistically diverse communities face barriers to reporting family violence and finding appropriate support. These communities also face disproportionate and unique challenges as a result of the COVID-19 pandemic. The 2020–21 Budget introduced an initiative, *Multicultural COVID-19 family violence program* to address this, however funds are not allocated beyond 2020–21 for the initiative.

The 2021–22 Budget allocates \$18.1 million to *Perpetrator accountability*, which includes funding for men's behaviour change programs. There is a lower than expected number of participants in men's behaviour change programs in 2020–21 due to COVID-19 impacts, however an increased target is set for 2021–22, reflecting the increased investment in the Budget.

The 2021–22 Budget introduces the capital project, *Rural and Regional Public Sector Residential Aged Care Services Revitalisation Strategy Stage 1* with a TEI of \$65 million. The initiative includes planning and design work, delivering beds and rebuilding aged care facilities. The 2020–21 Budget's *Modernisation of Metropolitan Melbourne Public Sector Residential Aged Care Services Strategy: Stage 3 Kingston Project (Cheltenham),* with a TEI of \$134.6 million, will provide a dementia-friendly aged care facility.

The *Big Housing Build*, introduced in the 2020–21 Budget, aims to deliver over 12,000 new homes comprising of 9,300 social housing and 2,900 affordable housing dwellings. DFFH advised it is on track to meet the target of 1,100 dwellings commenced or purchased by 30 June 2021, however the department reported there is a lag in actual spending for the 2020–21 year.

Three new homelessness and rough sleeping initiatives are introduced in the 2021–22 Budget, valued at \$236.8 million and allocated over 2021–22 to 2024–25. This is on top of three initiatives in the 2020–21 Budget, valued at \$906 million allocated over three years. The Committee found performance measure targets under the Housing output were modified from year to year, making the tracking of performance difficult over time.

DFFH added 11 new performance measures in the 2021–22 Budget. The Committee found weaknesses in two of the new performance measures. DFFH proposes five performance measures be discontinued in the 2021–22 Budget which is supported by the Committee.

#### Department of Environment, Land, Water and Planning

The Department of Environment, Land, Water and Planning (DELWP) was allocated \$2.9 billion in the 2021–22 Budget. This comprises 4.2% of all output funding in the 2021–22 Budget.

DELWP received \$605.2 million of funding for capital projects in 2021–22. As of 2021–22, the department has 25 existing and two new capital projects. The State Capital Program separately lists nineteen water corporations with a total estimated investment of \$21.1 billion. These entities are public non-financial corporations and their activities are essential to the achievement of the department's outputs.

The 2021–22 Budget includes the largest ever government investment in forest and fire management—\$475.4 million across the forward estimates—to mitigate the impact of future bushfire seasons. The new output initiatives in this budget will upgrade Victoria's emergency communication system, establish the Office of Bushfire Risk Management, and extend the *Reducing bushfire risk* and *Safer together* programs. Under the *Safer together* program, the department has been working to reduce the State's residual bushfire risk and enhance its bushfire preparedness.

The Victorian Government announced its Climate Change Strategy in May 2021. The Strategy aims to reduce Victoria's emissions by 45 to 50% on 2005 levels by 2030 and reach net zero emissions by 2050. The 2021–22 Budget allocated \$32.9 million in total funding to the Climate Change output, a reduction of 23.3% compared to 2020–21.

The 2021–22 Budget allocates \$46.1 million between 2021–22 and 2023–24 for the new output initiative *Zero and low emission vehicles: accelerating adoption*. Under the initiative, the agency Solar Victoria will distribute individual subsidies valued at \$3,000 to purchasers of an electric vehicle (EV) with a dutiable value of less than \$68,740.

The program is funding 20,000 subsidies. The Government's Zero Emission Roadmap requires that EVs comprise 50% of Victoria's light vehicle sales by 2030.

In 2021–22 the Solar Homes portfolio received 24.1% less funding than it did in the 2020–21 Budget. Solar Victoria aims to support the installation of solar power in over 778,000 Victorian homes over a ten-year period. The department explained that the 2021–22 Budget figures do not constitute a funding cut because the COVID-19 pandemic disrupted the renewable energy market. The total value of funding available to Solar Victoria over the lifetime of the program has not changed.

DELWP added 20 new performance measures in the 2021–22 Budget, six of which replaced discontinued measures. The Committee found weaknesses in four of the new performance measures.

#### Department of Jobs, Precincts and Regions

The Department of Jobs, Precincts and Regions (DJPR) received \$2.8 billion in output funding in the 2021–22 Budget. The output funding allocated to DJPR in 2021–22 is 57.8% less than the 2020–21 Budget—a decline from \$6.5 billion to \$2.8 billion. Additional funding received in the 2020–21 financial year for addressing the impact of COVID-19 is the major reason for the relative decline in DJPR's budgeted output funding for 2021–22.

DJPR's capital portfolio has a total estimated investment value of \$2.1 billion, comprising eight existing and two new capital projects. The *Melbourne Arts Precinct Transformation Phase One* project is the department's largest capital project with a total estimated investment value of \$1.4 billion.

The 2021–22 Budget allocated \$310 million to the Jobs output. The 2020–21 Budget allocated \$2.9 billion to the same output, primarily due to the COVID-19 pandemic and initiatives to reduce its economic effect. The 2021–22 Budget allocates \$484.5 million over 2020–21 to 2024–25 toward new initiatives under the Jobs output.

The 2020–21 Budget allocated \$619.4 million over four years to the *Jobs for Victoria* initiative. It also provided an \$87.5 million top-up to the *Working for Victoria* initiative, which received \$500 million in funding in 2019–20. The *Working for Victoria* initiative will not be extended beyond 2020–21. The *Jobs for Victoria* initiative will provide jobseekers with information, advice and support to assist them to re-enter the workforce. The initiative also includes the *Jobs for Victoria Fund*, which aims to create 10,000 jobs using wage subsidies.

The Small Business portfolio has new output funding in 2021–22, consisting of \$4.4 million over two years for the *Small businesses services and support* initiative.

DJPR's Support for seasonal agriculture workforce initiative was a one-off program intended to counteract the impact of the COVID-19 pandemic on Victoria's agricultural workforce. The initiative included a sign-on bonus for local jobseekers commencing agricultural work during the harvest season, Pacific Mobility Schemes to bring Pacific

workers to Victorian agriculture businesses, and support grants to help implement industry-specific solutions to workforce shortages. The program has not been extended in the 2021–22 Budget.

DJPR added 17 new performance measures in the 2021–22 Budget. The Committee found weaknesses with three of the new performance measures.

#### **Court Services Victoria**

In 2021–22 Court Services Victoria (CSV) had the eighth largest budget of all departments, receiving \$755.2 million to fund its outputs. In 2021–22 CSV also received \$89 million to fund new capital projects, while CSV's total capital program amounts to \$680.7 million.

CSV and Victoria's court system were heavily impacted by the COVID-19 pandemic and associated health restrictions in both 2020 and 2021. In the 2021–22 Budget CSV's new output funding was predominantly directed towards initiatives aimed at reducing pending matters resulting from the pandemic and increasing capacity in Victoria's court system. CSV received \$102.3 million (53% of its new output initiative funding) for these purposes. CSV's funding in this area is part of the wider \$210 million funding across CSV and the Department of Justice and Community Safety to reduce pending matters and increase the ability of Victoria's courts to hear matters remotely.

Across the 2020–21 and 2021–22 Budgets over \$290 million has been invested in Victoria's courts and the Victorian Civil and Administrative Tribunal (VCAT) to reduce COVID-19 impacts and increase efficiency. A large proportion of this funding has been provided to the County and Magistrates Courts and VCAT to increase their digital and audio-visual capability. The Children's Court, a jurisdiction with a high growth in pending matters, received limited additional funding in 2021–22 to manage pending matters caused by the COVID-19 pandemic.

### Department of Treasury and Finance

The 2021–22 Budget allocates \$608.5 million in output funding to the Department of Treasury and Finance (DTF). DTF will receive \$187 million over the next four years to fund new output initiatives.

General government net debt is estimated to be \$77.5 billion in 2020–21, rising to \$156.3 billion in 2024–25. Interest expenses are forecast to increase by 7.7% in 2021–22 and will grow at an average of 16.1% a year over the forward estimates.

The 2021–22 Budget allocates \$324 million over four years towards 10 initiatives that are linked to the Early Intervention Investment Framework (EIIF). DTF is currently developing the EIIF and therefore the methodology to measure outcomes of the 10 initiatives under the framework is unclear.

The capital assets charge (CAC) is a charge levied on the budgeted written down value of controlled non-current physical assets of the department. The CAC policy has been discontinued and therefore removed from output costs in the 2021–22 Budget. The removal of CAC therefore improves the presentation of the Victorian Government's financial position by significantly reducing its nominal expenditure.

In 2020, more than 26% of Victoria's electricity was sourced through renewable energy, meeting the first target of the Victorian Renewable Energy Target. The Government has committed to switch to 100% renewable electricity for all government operations by 2025. Procurement of electricity is a responsibility of DTF. However, the budget papers do not include a performance measure to indicate the Government's progress in achieving the 100% renewable electricity target.

The 2021–22 Budget allocates \$15 million to encourage the purchasing of zero emission vehicles (ZEVs) across the Government fleet. VicFleet is forecast to increase its fleet from 11,324 vehicles as at 30 March 2021 to 16,000 vehicles in two years. The 2021–22 Budget will replace 400 vehicles with ZEVs. This will mean that in two years, ZEVs will account for only 2.5% of VicFleet. VicFleet does not have a specific target for the reduction of greenhouse gas emissions.

#### **Department of Premier and Cabinet**

In the 2021–22 Budget the Department of Premier and Cabinet (DPC) is allocated \$513.2 million to fund its outputs, a decrease of 7.3% compared to \$555.3 million in the 2020–21 Budget. This represents 0.7% of total government output.

The Service Victoria entity was established in 2015 to deliver government services online via digital platforms. Service Victoria achieved less transactional benefits than expected in 2019–20 due to a reduced volume of transactions delivered and less complex transactions offered. Service Victoria launched a mobile phone application to facilitate contact tracing for the management of the COVID-19 pandemic in November 2020. Use of this application became mandatory in May 2021, which is in line with the recommendation made by the National Contact Tracing Review for all states and territories to use a single smartphone application in their contact tracing approach.

The 2021–22 Budget includes a new output initiative, *Preventing Aboriginal deaths in custody*. Despite this investment, the Committee notes that there is no performance measure aligned with this initiative in the budget papers.

The 2021–22 Budget also allocates \$58.3 million to the initiative *Delivering a truth and justice process*, including \$44.5 million for the Yoo-rrook Justice Commission. The Committee notes however that there are no new performance measures created in relation to this investment.

DPC added eight new performance measures in the 2021–22 Budget, two of which have shortcomings.

#### **Parliament**

The Parliament of Victoria is made up of three departments: the Legislative Assembly, the Legislative Council and the Department of Parliamentary Services. The Victorian Auditor-General's Office (VAGO) and the Parliamentary Budget Office (PBO) are independent officers of Parliament and grouped under Parliament's outputs in the budget papers. The integrity agencies—the Independent Broad-based Anti-Corruption Commission (IBAC), Victorian Inspectorate (VI) and Victorian Ombudsman (VO)—also fall under the Parliament's outputs.

In 2021–22 the Parliament, PBO, VAGO and integrity agencies will receive \$339.9 million, or 0.5% of total departmental funding. This represents a 3.0% increase on the 2020–21 Budget of \$330.1 million.

In response to online threats to Parliament, the 2021–22 Budget allocates \$9.1 million to enhance Parliament's cybersecurity. The cybersecurity upgrades will implement systems testing, training and awareness programs, improve incident response mechanisms, embed 24-hour cyber event logging and upgrade existing information and communication technology security systems.

The Parliament, PBO, VAGO and IBAC do not propose any performance measures to be discontinued in the 2021–22 Budget. VO proposes five performance measures to be discontinued. The Committee supports the discontinuation of four performance measures and identified issues with the discontinuation of one performance measure.

## Findings and recommendations

#### 2 Whole of government review

**FINDING 1:** The Victorian Government's fiscal strategy consists of four steps. The first step is to create employment. The Government set an interim target of creating 200,000 jobs by 2022 under the *Jobs Plan* introduced in the 2020–21 Budget. The Government has met this target by creating 243,000 jobs between September 2020 and April 2021.

6

**FINDING 2:** Between March 2020 and May 2021, total employment in Victoria has increased by 13,900 people.

6

**FINDING 3:** The Government's second step in the fiscal strategy is to return to an operating cash surplus. The 2021–22 Budget indicates a return to operating cashflow surplus in 2022–23.

8

**RECOMMENDATION 1:** The Department of Treasury and Finance publish regular updates to provide revised estimates of the Victorian Government's fiscal strategy and other fiscal aggregates.

8

**FINDING 4:** The Government's third and fourth step of the fiscal strategy include returning to operating surplus and stabilising debt levels. However, the 2021–22 Budget does not provide a timeline nor a numerical objective for these targets.

9

**FINDING 5:** The 2021–22 Budget forecasts an improvement in the general government fiscal aggregates. However, the Government infrastructure investment continues to increase over the next three years.

11

**FINDING 6:** The state final demand of Victoria was 2.3% in the March quarter of 2021, above the domestic (national) final demand of 1.6%. In May 2021, Victoria's participation rate was above the national average and the unemployment rate declined to 4.8%.

FINDING 7: In 2020, Victoria's household disposable income per capita and gross state product per capita were weaker than other states and territories.

12

FINDING 8: The 2021–22 Budget's economic forecasts have significantly improved compared to the 2020-21 Budget. Although Victoria's economic indicators are forecast to perform below the national economic indicators in 2020-21, in 2021-22 Victoria is expected to outperform the national economic indicators.

14

FINDING 9: The 2021-22 Budget forecasts zero to moderate population growth in 2020-21 and over the next three years. As population growth has been a significant driver of economic growth in Victoria prior to the COVID-19 pandemic, the slower population growth could slow Victoria's economic recovery.

14

FINDING 10: From 2022-23, the Government expects employee expenses to moderate at an average annual rate of 2.5%. The Government will also implement base review and saving efficiencies in the areas of consultancy and advertising expenditure and eliminate duplicated activities across agencies.

19

**RECOMMENDATION 2:** The Victorian Government publish the 2019–20 and 2020–21 Victorian Government Advertising Report and release the advertising plan for 2021–22. 19

FINDING 11: The 2021–22 Budget introduces whole of government savings targets of \$1.9 billion and departmental savings of \$1.7 billion over the next four to five years. The Government departments do not publish the actual savings achieved in their annual reports.

20

**RECOMMENDATION 3:** Victorian Government departments publish the actual savings achieved in their annual reports.

21

**FINDING 12:** The Government's net debt position has been revised since the 2020–21 Budget, with net debt currently forecast to be \$156.3 billion in 2024–25.

#### 3 Department of Health

**FINDING 13:** The 2021–22 Budget contains a capital program of \$9.4 billion for the Department of Health (DH), of which \$1.9 billion is for new projects. DH has the second largest capital program in the general government sector.

24

**FINDING 14:** Expenditure on the Salesforce contact tracing platform was \$34.1 million in 2020–21. The Department of Health advised the Committee that that the cost of overhauling Victoria's contact tracing since last year will be reconciled at the end of the 2020–21 financial year.

26

**FINDING 15:** The 2021–22 Budget allocates \$46.5 million over four years and \$116.5 million in total estimated investment to improve Victoria's public pathology system.

26

**FINDING 16:** The 2021–22 Budget allocates \$3.7 billion over the next four years with \$1.5 billion allocated to 2021–22 to provide additional elective surgery, emergency department staff, highly-specialised therapies and to support new wards.

27

**FINDING 17:** The pause on elective surgery due to public health restrictions led to the number of patients on the waiting list increasing to 65,843 in September 2020 up from 51,330 in March 2020. However, in March 2021, the number of patients on the waiting list was 65,780 compared to 65,843 in September 2020. The 2020–21 Budget allocated \$300 million to manage the elective surgery waiting list.

28

**FINDING 18:** The 2021–22 Budget has increased the target of the 'number of patients admitted from the elective surgery waiting list' from 203,020 in 2020–21 to 208,800 in 2021–22.

28

**FINDING 19:** COVID-19 restrictions have had a significant impact on community-based healthcare delivery. The 2021–22 Budget allocates \$91 million over the next four years to health service areas that were impacted by the COVID-19 restrictions. This includes funding for dental services, cancer prevention services and maternal and child health services.

29

**FINDING 20:** From 1 April to 15 October 2020, during Victoria's COVID-19 public health restrictions, there was a 10% reduction in cancer screening pathology tests and there were 2,530 cancer diagnoses that were delayed or missed.

**FINDING 21:** The 2021–22 Budget allocates \$13 million to cancer prevention and screening. Part of this funding is allocated to BreastScreen Victoria to undertake 25,000 additional breast screenings. Despite the additional funding, the target number in the budget papers of 'women screened for breast cancer by BreastScreen Victoria' remains unchanged from the 2020–21 target.

29

**FINDING 22:** In the 2021–22 Budget, the Department of Health allocates \$3.3 billion in output funding and \$505.8 million in asset funding to mental health initiatives over five years. The Government estimates it will spend \$551.4 million in output funding in the 2021–22 budget year while \$1.0 billion will be spent in 2024–25.

30

**FINDING 23:** In 2019, fulltime equivalent psychiatrists working per 100,000 population was 14.1 and mental health nurses working per 100,000 population was 94.7 in Victoria, both higher than the national average.

32

**FINDING 24:** The 2021–22 Budget allocates \$206.3 million over the next four years to expand the mental health workforce in Victoria by 3,000 jobs. The Government aims to create 1,200 jobs by June 2022.

32

**FINDING 25:** In 2019–20, 33% of the individuals who accessed mental health services were in rural Victoria. The 2021–22 Budget allocates \$13.3 million over the next four years to incentivise mental health workers to find employment in rural and regional areas.

33

**FINDING 26:** The 2021–22 Budget allocates \$2.2 billion to the Mental Health Clinical Care output. The \$2.2 billion investment has not been reflected in the output's targets. Targets relating to 'occupied residential bed days' and 'occupied sub-acute bed days' remained unchanged in the 2021–22 Budget.

34

**RECOMMENDATION 4:** The Department of Health update the relevant Mental Health target to accurately reflect the expected impact of the investment of \$2.2 billion outlined in the 2021–22 Budget.

34

**FINDING 27:** The Government will introduce new performance measures and will develop a new mental health and wellbeing outcomes framework by end of 2022. The Government is redrafting the *Mental Health Act 2014* to shift the focus to mental health and wellbeing.

**FINDING 28:** Recognising that mental illness and substance use or addiction are often co-occurring experiences, the 2021–22 Budget allocates \$42.3 million over four years to the *Integrated care for people living with mental illness and substance use or addiction* initiative.

36

**FINDING 29:** The 2021–22 Budget does not contain any new performance measures for the initiative *Integrated care for people living with mental illness and substance use or addiction.* 

36

**FINDING 30:** Aboriginal Victorians continue to be over-represented in clinical mental health services. The 2021–22 Budget allocates \$116.2 million over the next four years to support the social and emotional wellbeing of Aboriginal communities.

37

**FINDING 31:** The 2021–22 Budget allocates \$470.6 million over the next four years to initiatives that improve ambulance services in Victoria.

38

**FINDING 32:** Ambulance Victoria's response time for Code 1 incidents was 75.1% in the third quarter of 2020–21, below the benchmark of 85%. This is due to people delaying medical treatment during the COVID-19 lockdowns.

39

**FINDING 33:** Ambulance Victoria has added 4,410 shifts in the metropolitan region during the first half of the 2021 calendar year.

39

**FINDING 34:** The Department of Health proposed nine performance measures for discontinuation in 2021–22. The Committee supports the discontinuation of these measures.

40

## 4 Department of Education and Training

**FINDING 35:** Of the new schools and school upgrades to be delivered as part of the Department of Education and Training's 2021–22 Budget, based on enrolment growth, condition and functionality, most are located in metropolitan Melbourne. In regional Victoria, 17 schools will be upgraded.

43

**FINDING 36:** The Department of Education and Training publishes enrolment data on its website, but does not publish planning data regarding the need for new schools and school upgrades.

**RECOMMENDATION 5:** The Victorian School Building Authority publish available planning data regarding the need for new schools and school upgrades on its website and update this data regularly.

45

**RECOMMENDATION 6:** The Department of Education and Training undertake an evaluation of the mental health and wellbeing supports offered to students during the COVID-19 pandemic to ensure support is effective and sufficient.

48

**RECOMMENDATION 7:** The Department of Education and Training undertake an evaluation of the tutoring program offered to students during the COVID-19 pandemic to ensure support is effective and sufficient.

48

**RECOMMENDATION 8:** The mental health reform workforce strategy directly address the demand driven by the *School Mental Health Fund.* 

49

**FINDING 37:** As part of the Mental Health and Wellbeing Levy, Victorian universities are expected to pay a combined \$50 million of additional payroll tax. All Victorian universities have experienced financial impacts as a result of the COVID-19 pandemic, with three recording a deficit in 2020.

50

**FINDING 38:** The Victorian Government deferred the payroll tax of all Victorian universities in 2020–21 to 2022–23 due to the financial impact of the downturn of international students arriving to study. The Mental Health and Wellbeing Levy increases the amount of payroll tax Victorian universities will pay, while the Government expects international students to begin returning in early 2022.

51

**FINDING 39:** The *Higher Education State Investment Fund* was initiated to financially support universities and stimulate the economy during the COVID-19 pandemic. As at 30 April 2021, only \$18.6 million of the \$350 million fund had been expended.

51

**FINDING 40:** In 2020, 42% three-year-olds known to child protection were enrolled in a kindergarten program, while 80% of four-year-olds were enrolled. These figures are less than the participation rate of the general population of three- and four-year-olds in 2019 and 2020.

52

**RECOMMENDATION 9:** The Department of Education and Training publish information regarding the progress made towards the targets of the early childhood agreement for children in out-of-home care in its next annual report and on the website outlining the agreement.

**RECOMMENDATION 10:** The Department of Education and Training develop budget paper performance measures and targets regarding the roll out of universal three-year-old kindergarten and the proportion of Victorian three-year-olds attending kindergarten in the 2022–23 Budget.

53

**RECOMMENDATION 11:** The Department of Education and Training develop performance measures for the 2022–23 Budget based on participation rates in kindergarten for groups targeted through the *Giving vulnerable and disadvantaged kids the best start in life* funding included the 2021–22 Budget.

53

**FINDING 41:** Since 2015–16 the performance for 'kindergarten participation rate in the year before school' has declined by almost 10%. In 2020–21, the participation rate was affected by the COVID-19 pandemic. The Department of Education and Training estimates that the outcome for 2020–21 would have been around 92–93% without the effects of the pandemic.

54

**FINDING 42:** Against the measure 'proportion of children enrolled in a preschool program in the state-specific year before school', Victoria has performed similarly to the Australian average between 2016 and 2019. However in 2019 Victoria had the third lowest participation rate of all states and territories and has experienced a sharp decline in participation year-on-year.

55

**RECOMMENDATION 12:** The Department of Education and Training address the shortcomings in the five new performance measures introduced in 2021–22 and identified by the Committee with further, or altered, performance measures in the 2022–23 Budget.

57

**RECOMMENDATION 13:** The Department of Education develop timeliness measures where appropriate to include in its performance statement in the 2022–23 Budget.

#### 5 Department of Justice and Community Safety

**FINDING 43:** The Department of Justice and Community Safety identified no funds received through Treasurer's Advances in 2020–21. However, the 2021–22 Budget allocates \$106.6 million in new output funding for 2020–21 with \$49.7 million allocated to COVID-19 compliance checks in high risk businesses and industries. This initiative was funded via Treasurer's Advance (2020–21) and annual appropriation (2021–22).

61

**RECOMMENDATION 14:** The Department of Justice and Community Safety (DJCS) publish data on the operation of Births, Deaths and Marriages Victoria between 2018–19 and 2020–21 in its 2020–21 Annual Report. DJCS should include the average wait time for certificate processing, customer satisfaction with online services and data on the number of customers serviced and inquiries finalised.

63

**FINDING 44:** The call centre and customer service centre of Births, Deaths and Marriages Victoria were closed in March 2020 in response to the COVID-19 pandemic. The call centre re-opened in May 2021 but it remains unclear when the service centre will reopen.

63

**FINDING 45:** Between 2009–10 and 2019–20, Victoria's prison population has grown by 58%, while the cost for the output Prisoner Supervision and Support has grown by 215%.

64

**FINDING 46:** In June 2021 the Department of Justice and Community Safety delivered its Crime Prevention Strategy. The funding for crime prevention initiatives in the 2021–22 Budget directly respond to several key areas of the Strategy.

66

**RECOMMENDATION 15:** The Department of Justice and Community Safety ensure the evaluations of funded crime prevention projects include information regarding:

- how outcomes align to the objectives and priorities of Community Crime Prevention and
- how the projects have reduced crime.

67

**FINDING 47:** The 2021–22 Budget does not specify any funding related to COVID-19 Quarantine Victoria.

**RECOMMENDATION 16:** The Victorian Government include estimated costs for COVID-19 related quarantine in the 2022–23 Budget.

68

**FINDING 48:** The \$33.1 million initiative *Preventing Aboriginal deaths in custody* in the 2021–22 Budget includes early intervention family services and family practitioners for keeping children under the age of 14 out of the justice system.

69

**FINDING 49:** Aboriginal children aged 10 to 13 are over-represented compared to non-Aboriginal children of the same age in youth justice. However, the number of Aboriginal children in this cohort under supervision on an average day has declined since 2015–16.

70

**RECOMMENDATION 17:** The Department of Justice and Community Safety develop budget paper performance measures so that the outcomes of the investment in addressing the over-representation of Aboriginal children aged 10 to 13 under both youth justice detention and community supervision can be followed.

71

**RECOMMENDATION 18:** The Department of Justice and Community Safety develop budget paper performance measures so that the outcomes of the investment in reducing the number of 10 to 13-year-olds under both youth justice detention and community supervision can be followed.

71

**RECOMMENDATION 19:** The Department of Justice and Community Safety address the issues raised with the three new performance measures introduced in 2021–22 and identified by the Committee.

72

**FINDING 50:** The Department of Justice and Community Safety proposed four performance measures for discontinuation in 2021–22. The Committee supports the discontinuation of two measures and considers the remaining measures should be reviewed.

73

**RECOMMENDATION 20:** The Department of Justice and Community Safety review the two discontinued performance measures outlined by the Committee.

#### 6 Department of Transport

**RECOMMENDATION 21:** The Department of Treasury and Finance consider publicly releasing the Office of Projects Victoria's benchmarking review of Victorian major projects against international projects.

78

**FINDING 51:** The Department of Transport has evaluated alliance contracting as a successful procurement model based on its performance in the *Level Crossing Removal* program. The department plans on expanding its use into road maintenance and upkeep programs.

80

**FINDING 52:** As part of the *Level Crossing Removal* project, the Department of Transport internally tracks actual expenditure for each crossing removed. The department does not publicly disclose actual expenditure for each site because the alliance contracting method relies upon awarding multiple packages of work based on performance.

80

**FINDING 53:** The 2021–22 Budget includes \$2.2 billion in total estimated investment funding for the Public Transport portfolio. The largest component of this funding is \$985.8 million for the acquisition of 25 new X'Trapolis 2.0 trains.

82

**FINDING 54:** The 2021–22 Budget includes funding for four new level-access tram stops. 73% of Victorian tram stops are non-level access, which makes them unfit for purpose for those with a disability.

83

**RECOMMENDATION 22:** The Department of Transport review its overarching plan for the tram network with a view to reaching compliance with the *Disability Standards for Accessible Public Transport 2002* as soon as possible.

84

**FINDING 55:** Between 2019–20 and 2020–21, the Department of Transport expended \$969.1 million in payments to offset the impact of COVID-19 on public transport operators and passengers.

85

**RECOMMENDATION 23:** The Department of Transport detail funding of COVID-19 related public transport costs in future budget papers.

**FINDING 56:** The proportion of freight moved out of Melbourne ports via rail has declined by 5% over the period 2011–12 to 2019–20. The Government is currently investing in on-dock rail infrastructure in Melbourne to help support greater rail transport of freight.

88

#### 7 Department of Families, Fairness and Housing

**FINDING 57:** \$1.2 billion is provided for four new Child Protection output initiatives over the forward estimates. The initiatives *Maintaining the foundations of the children and families system* and *Early intervention and diversion* (combined allocation of \$1.1 billion) aim to divert children from care.

93

**RECOMMENDATION 24:** The Department of Families, Fairness and Housing introduce performance measures to report the number of Victorian Aboriginal children in care.

94

**FINDING 58:** The 2020–21 Budget's *Multicultural COVID-19 Family Violence Program*, valued at \$2.4 million, supports an intersectional approach in family violence service delivery. This program is not allocated funds for extension beyond 2020–21.

95

**FINDING 59:** The 2021–22 Budget allocates \$18.1 million over the forward estimates to the *Perpetrator accountability* initiative with \$12.8 million allocated in 2021–22, \$1.7 million in 2022–23, and \$1.8 million in both 2023–24 and 2024–25. Of the \$12.8 million in 2021–22, \$7 million will fund men's behaviour change programs. This funding initiative will also support research and evaluate the effectiveness of men's perpetrator intervention programs to inform further possible investment over the forward estimates.

97

**FINDING 60:** The target for the performance measure, 'number of men participating in the Men's Behaviour Change program,' increases from 4,000 in 2020–21 to 4,400 in 2021–22, as a result of the increased funding in the 2021–22 Budget to the *Perpetrator accountability* initiative.

97

**FINDING 61:** The 2021–22 Budget initiative, *Rural and Regional Public Sector Residential Aged Care Services Revitalisation Strategy stage 1,* provides \$65 million as total estimated investment to rebuild the Glenview Community Care aged care facility in Rutherglen. The 2020–21 Budget allocated \$134.6 million to the redevelopment of the Kingston Centre in Cheltenham in Melbourne.

**FINDING 62:** The Department of Families, Fairness and Housing has a target to deliver 1,100 social dwellings by the end of 2020–21. There is a lag in spending the allocated funds in the 2020–21 Budget.

100

**RECOMMENDATION 25:** The Government regularly report on the outcomes of the \$5.3 billion investment allocated to the *Victoria's Big Housing Build* including details regarding allocation of funds, geographic location and the number and type of dwellings to be delivered in each financial year.

**FINDING 63:** The Department of Families, Fairness and Housing has not yet set the income bands for eligibility for the affordable dwellings under the *Victoria's Big Housing Build* initiative.

100

**RECOMMENDATION 26:** The income bands for eligibility for affordable housing currently being constructed under *Victoria's Big Housing Build* be published as soon as possible.

100

**FINDING 64:** Three new homelessness and rough sleeping initiatives are introduced in the 2021–22 Budget, valued at \$236.8 million and allocated over 2021–22 to 2024–25. This is on top of three initiatives in the 2020–21 Budget, valued at \$906 million and allocated over 2020–21 to 2023–24.

101

**FINDING 65:** Victoria's homelessness and rough sleeping action plan (HRSAP) was released in 2018 to provide a framework for actions undertaken to combat homelessness and rough sleeping. The 2021–22 Budget allocates \$47 million to extend the HRSAP.

102

**RECOMMENDATION 27:** The targets in *Victoria's homelessness and rough sleeping action plan*, should be referenced in the budget papers. Further, as the plan was released in 2018 it is recommended that updating the plan be considered.

102

**FINDING 66:** Over the 2020–21 and 2021–22 Budgets, eight performance measures in the Housing output have had their targets changed. Changing targets for performance measures makes it difficult to assess progress over the medium to long term.

**RECOMMENDATION 28:** The Department of Families, Fairness and Housing improve performance measures under the Housing output, by reviewing all measures, consolidating measures where appropriate, and clearly defining different cohorts, services provided, and outcomes achieved.

104

**FINDING 67:** Funding for the advertising and promotion of information related to the COVID-19 pandemic in 2020–21 was \$7.4 million.

106

**RECOMMENDATION 29:** The Department of Families, Fairness and Housing address the shortcomings in two of the new performance measures introduced in the 2021–22 Budget.

107

# 8 Department of Environment, Land, Water and Planning

**FINDING 68:** The 2021–22 Budget allocates \$406.4 million in funding for the Fire and Emergency Management output. Three new output initiatives were introduced with a total allocation of \$475.4 million over the next four years. The Department of Environment, Land, Water and Planning accessed a total of \$32.7 million in Treasurer's Advances for the Fire and Emergency Management output in 2020–21.

113

**FINDING 69:** The 2021–22 Budget includes funding to continue and expand the *Safer together* program, which underpins Victoria's bushfire preparedness activities. The department is in the process of enhancing the risk management and reporting elements of *Safer together*.

114

**FINDING 70:** The Office of Bushfire Risk Management will be established within the department in 2021–22 as recommended by the Inspector-General for Emergency Management at an approximate cost of \$21 million in 2021–22.

115

**FINDING 71:** The 2021–22 Budget allocates \$10 million to one new output initiative under the Climate Change output. This funding supports the newly announced Climate Change Strategy and Victoria's transition to a carbon neutral economy.

116

**FINDING 72:** Victoria is among a comparatively small number of jurisdictions globally that have outlined a plan to reach net zero emissions by 2050 in an attempt to limit global warming to 1.5°C above preindustrial levels.

**FINDING 73:** The 2021–22 Budget allocates \$46.1 million over the next three years to encourage the purchase of electric vehicles in the wider community. The 2021–22 Budget includes funding for at least 4,000 and up to 20,000 subsidies valued at \$3,000 each for the purchase of electric vehicles to increase their affordability.

118

**RECOMMENDATION 30:** The Department of Environment, Land, Water and Planning (DELWP) add a budget paper performance measure for annual Victorian electric vehicle (EV) sales and the progress DELWP is making towards its long-term target of EVs comprising 50% of Victorian light vehicle sales by 2030.

119

**FINDING 74:** The Department of Environment, Land, Water and Planning has updated its 2021–22 performance measures in anticipation of 10,000 applications to the *Power Saving Bonus* program. The Minister for Energy has committed to honour every eligible application to the program regardless of this target or funding in the 2021–22 Budget.

120

**RECOMMENDATION 31:** The Department of Environment, Land, Water and Planning revise the performance measure 'vulnerable Victorian energy consumers reached through consumer support programs' upward from 10,000 in light of the high take up of the *Power Saving Bonus* in 2021–22.

120

**FINDING 75:** The Solar Homes output funding in 2021–22 Budget saw a 24.1% decline. The funding for this output is fixed over a ten-year period and has been rephased due to the impacts of COVID-19 on community demand for solar technologies.

121

**FINDING 76:** The Department of Environment, Land, Water and Planning has an internal measure that tracks rebates provided to rental households but this data is not captured in a budget paper performance measure.

121

**RECOMMENDATION 32:** The Department of Environment, Land, Water and Planning add a budget paper performance measure to the Solar Homes output that reflects annual targets for installing solar technologies in rented properties.

122

**RECOMMENDATION 33:** The Department of Environment, Land, Water and Planning develop metrics to quantify its effects on Victoria's energy use and carbon emissions for inclusion in the Budget as performance measures.

**FINDING 77:** The Department of Environment, Land, Water and Planning has not met the performance measure 'median number of days taken by the department to assess a planning scheme amendment' in the past five years, with an average overreach of 30.2 days on a 25 day target. The department has updated the performance measure in 2021–22 but the new measure—35 days—is significantly below past performance.

124

124

**RECOMMENDATION 34:** Considering the long-term underperformance in this planning policy area, the Department of Environment, Land, Water and Planning revisit the performance measure 'median number of days taken by the department to assess a planning scheme amendment' and reassess whether its planned reforms are sufficient to deliver 35 median days in 2021–22.

## 9 Department of Jobs, Precincts and Regions

**FINDING 78:** The 2021–22 Budget allocates \$147 million in 2020–21 for the *Circuit Breaker Action Business Support Package* announced in February 2021. The 2021–22 Budget also allocates \$31.1 million to support and recovery packages for businesses in 2020–21 and 2021–22 as well as \$55.2 million in 2020–21 for financial support for workers who are isolating whilst they wait for their COVID-19 test result.

130

**FINDING 79:** The Melbourne central business district (CBD) has been significantly impacted due to stay at home orders, a reduction in international visitations and fewer events being held in the CBD during the COVID-19 pandemic. The 2021–22 Budget allocates \$107.4 million to the *Melbourne central business district economic package* which focuses on the long-term recovery of the Melbourne CBD. This is a jointly funded initiative with the City of Melbourne.

132

**FINDING 80:** The 2020–21 Budget allocated \$619.4 million over four years to the *Jobs for Victoria* initiative which includes a \$250 million provision for wage subsidies. Whilst the *Working for Victoria* program will be superseded by this new program, current participants in the *Working for Victoria* program can access wage subsidies of up to \$20,000 to retain employees for a further 12 months as part of the *Jobs for Victoria* initiative.

135

**FINDING 81:** The 2020–21 Budget set a target of 10,000 jobs to be created through *Working for Victoria*. The 2021–22 Budget forecasts an expected outcome of 12,000 jobs to be created through *Working for Victoria*. The performance measure has been discontinued with the cessation of the initiative in 2021–22.

**FINDING 82:** The 2021–22 Budget outlines eight performance measures that relate to *Jobs for Victoria*. These include the proportion of disadvantaged jobseekers and female job seekers who achieve sustainable employment (minimum number of 26 weeks) with the support of Jobs Victoria Services.

136

**RECOMMENDATION 35:** The Department of Jobs, Precincts and Regions review the financial support paid to small businesses in response to the economic impact of the COVID-19 pandemic.

137

**FINDING 83:** The Department of Jobs, Precincts and Regions was allocated \$65 million in the 2020–21 Budget in addition to \$25.3 million in Treasurer's Advances to support Victorian agriculture during the COVID-19 pandemic.

139

**FINDING 84:** The Victorian agriculture sector contributes approximately 17% of Victoria's greenhouse gas emissions.

139

**RECOMMENDATION 36:** The Department of Jobs, Precincts and Regions address the issues raised in the three new performance measures identified by the Committee.

143

#### 10 Court Services Victoria

**FINDING 85:** The 2021–22 Budget includes \$210 million directed towards reducing delays in Victoria's justice system as a result of the COVID-19 pandemic. This is in addition to the \$80 million provided in the 2020–21 Budget for the *Justice Recovery Plan*.

147

**FINDING 86:** Pending matters in Victoria's courts and the Victorian Civil and Administrative Tribunal have reduced by 2% between April and May 2021. As of February 2021, there were over 200,000 pending matters.

150

**FINDING 87:** While the Children's Court of Victoria has seen a large increase in pending matters during the COVID-19 pandemic, the 2020–21 and 2021–22 Budgets contain limited funding for the Children's Court.

150

**FINDING 88:** During the three COVID-19 lockdowns enacted in 2021, Victoria's courts and the Victorian Civil and Administrative Tribunal limited appearances in person and adjourned some matters. This will put added pressure on the growing number of pending matters and the backlog within the Victorian courts system.

## 11 Department of Treasury and Finance

**FINDING 89:** General government net debt is estimated to be \$77.5 billion in 2021–22, increasing to \$154.8 billion in 2024–25. Interest expenses are estimated to increase by 7.7% in 2021–22. Interest expenses as a share of total revenue are expected to average 4.7% over the next four years.

156

**FINDING 90:** The 2021–22 Budget allocates \$15.5 million to the implementation of the Early Intervention Investment Framework. The 2021–22 Budget includes \$324 million in funding to 10 initiatives that will focus on intervening early and directing demand away from acute services. These initiatives are in the areas of Aboriginal Affairs, early childhood education, health, homelessness and crime prevention.

158

**FINDING 91:** The Early Intervention Investment Framework (EIIF) is a work in progress and the Government is designing the methodology to measure the outcomes of the programs announced under the EIIF. The Government has announced the initiatives prior to having a methodology in place to accurately measure the outcomes.

158

**RECOMMENDATION 37:** The Department of Treasury and Finance (DTF) publish the methodology that will be utilised when assessing the outcomes of the initiatives under the Early Intervention Investment Framework. Additionally, DTF provide information to clarify how the targets and outcomes of these initiatives will be published once the Framework commences.

159

**FINDING 92:** The Victorian Government Risk Management Framework was updated in August 2020 and came into effect on 1 July 2021. Almost all criteria required under the risk management requirements have been updated. In particular, the criteria under shared risk between government agencies has changed.

160

**FINDING 93:** Departments and agencies are not expected to incur any additional costs when updating existing processes and systems under the new Victorian Government Risk Management Framework.

160

**FINDING 94:** The 2021–22 Budget discontinues the capital assets charge (CAC) policy which has been operational since 1994–95. By discontinuing the CAC, the Victorian Government's expenditure appears to have fallen by \$7.4 billion in 2021–22. However, this does not represent a fall in actual expenditure: the CAC affected both appropriation and expenditure by the same amount meaning its removal has a net zero effect on the Budget.

**FINDING 95:** Victoria met its first Victorian Renewable Energy Target—25% of energy to be sourced from renewable energy in 2020. In 2020, more than 26% of Victoria's electricity was sourced through renewable energy.

163

**FINDING 96:** In 2019–20, the Government spent \$275 million on electricity, excluding health services. The Government has a target to source 100% renewable electricity for government operations by 2025.

163

**FINDING 97:** The Victorian Government publishes details of past and current projects under the *Greener Government Buildings* program. However, there is no performance measure in the budget papers to monitor the Government's progress in achieving 100% renewable energy by 2025.

163

**RECOMMENDATION 38:** The Department of Treasury and Finance include the 100% renewable energy in government operations by 2025 target in the budget paper performance measures.

163

**FINDING 98:** As at 30 March 2021, there were 11,324 vehicles in VicFleet, of which 2,052 were hybrid vehicles and five were electric cars. The 2021–22 Budget allocates \$15 million across the next two years to increase the number of zero emission vehicles in the Government fleet. The 2021–22 Budget will replace 400 vehicles with zero emission vehicles in two years, representing approximately 2.5% of VicFleet.

164

**FINDING 99:** The budget papers do not have a performance measure to monitor total greenhouse gas emissions generated by the Government fleet.

164

**RECOMMENDATION 39:** The Department of Treasury and Finance create a performance target to account for the greenhouse gas emissions produced by VicFleet and report on the progress made in the reduction of emissions produced by government vehicles.

164

**FINDING 100:** The 2020–21 Budget included a funding allocation of \$74.8 million to the *Regulatory reform package.* The \$40 million *Regulation Reform Initiative Fund* has expended \$15 million in 2020–21 financial year and supported 22 projects.

165

**FINDING 101:** The 2020–21 Budget allocated \$25.8 million to the *Venture Growth Fund*. The program will be launched in August 2021.

**RECOMMENDATION 40:** The Department of Treasury and Finance (DTF) address the shortcomings identified by the Committee in the new DTF performance measures introduced in the 2021–22 Budget.

168

**RECOMMENDATION 41:** The Department of Treasury and Finance reinstate the 'new investment resulting from government facilitation services and assistance' performance measure as there is a requirement to account for the investment made through whole of government investment.

169

## 12 Department of Premier and Cabinet

**FINDING 102:** Service Victoria was expected to create cost savings to Government by providing a digital platform to facilitate Government transactions, however the cost savings target has not been reached. In 2019–20 Service Victoria achieved transactional benefits of \$6 million, well below the \$53 million initially expected.

174

**FINDING 103:** Despite the importance of volume of transactions in creating value-for-money for the Service Victoria entity, there is no related budget paper performance measure. The Department of Premier and Cabinet has agreed to introduce a measure to report on transaction volume, but no timeframe for this has been specified.

174

**FINDING 104:** While the Service Victoria mobile phone application to facilitate contact tracing for the management of the COVID-19 pandemic was launched in November 2020, the application was not made mandatory until May 2021.

175

**FINDING 105:** The *Wages Policy 2022* reduces wage growth to 1.5% in 2022, from 2% in 2021, with the ability for individuals to negotiate an additional 0.5% increase. Despite this reduction, and the 2021–22 Budget estimating the consumer price index at 1.5% for 2021–22 and 1.75% for 2022–23, the Department of Treasury and Finance expects there will be no reduction in real wages for the public sector workforce.

177

**FINDING 106:** Noting that the Committee was advised that real wages would be maintained, any cap on wages during the recovery phase from the COVID-19 pandemic could slow economic recovery in Victoria. The Reserve Bank of Australia Governor indicates a 3–4% wage growth is needed to lift inflation to the targeted 2–3%.

**RECOMMENDATION 42:** As wage growth affects inflation and therefore economic recovery, when the Government announces a change to public sector wage caps, the impact statement should be released as a supporting document outlining factors taken into account when reaching the decision including estimates of how wage decisions are forecast to affect Victoria's economic recovery post the COVID-19 pandemic.

178

**FINDING 107:** The reduction in Victorian Public Sector wage indexation is estimated to create savings of \$400 million per annum by 2024–25.

179

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**FINDING 108:** The 2021-22 Budget introduces a new initiative, *Preventing Aboriginal deaths in custody* with funding of \$33.1 million over the forward estimates.

**RECOMMENDATION 43:** The Victorian Government introduce a budget paper performance measure alongside the new initiative *Preventing Aboriginal deaths in custody*.

179

**FINDING 109:** \$58.3 million is allocated to the initiative *Delivering a Victorian truth and justice process*, including \$44.5 million for the Yoo-rrook Justice Commission. The Commission is expected to deliver an interim report by June 2022 and a final report by 2024. No new performance measures are created in relation to this investment.

180

**RECOMMENDATION 44:** The Department of Premier and Cabinet review the performance measures under the Aboriginal Affairs portfolio and ensure the investment in the Yoo-rrook Justice Commission is reflected in the performance measures.

180

181

**FINDING 110:** The Department of Premier and Cabinet's performance measures will be reviewed by June 2023.

181

**RECOMMENDATION 45:** The Department of Premier and Cabinet reviews performance measures in time for publication for the 2022–23 Budget.

## 13 Parliament and Independent Officers of Parliament

**FINDING 111:** Parliament is experiencing over 1,000 phishing emails every day, representing a significant cyberthreat to the organisation. In response, \$9.1 million is allocated in the 2021–22 Budget to upgrade Parliament's cybersecurity.

185

**FINDING 112:** Integrity agencies are legislated to be independent officers of Government, and independence between the integrity agencies and the Government is a key pillar of Victoria's democracy. Whilst the Government is responsible for determining funding allocations to integrity agencies, the funding allocation is submitted to Parliament through the Appropriation Bills.

186

**FINDING 113:** The Victorian Auditor-General's Office has achieved less than 100% in the performance measure 'external/peer reviews finding no material departures from professional and regulatory standards.'

188

**FINDING 114:** Three percent of the Victorian Auditor-General's Office financial audits are externally or peer reviewed per year for material departures from professional and regulatory standards.

188

**RECOMMENDATION 46:** The Victorian Auditor-General's Office increase the sampling size of audits externally reviewed to ensure there is sufficient coverage of financial statements.

188

**FINDING 115:** Parliament, the Parliamentary Budget Office and the Victorian Auditor-General's Office do not propose any performance measures to be discontinued in the 2021–22 Budget. The Victorian Ombudsman proposes five performance measures to be discontinued in the 2021–22 Budget. The Committee supports the discontinuation of four performance measures and identified issues with discontinuation of one performance measure.

189

**RECOMMENDATION 47:** The Victorian Ombudsman review the discontinued performance measure outlined by the Committee.

## **Acronyms**

ABN	Australian Business Number
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACCHO	Aboriginal Community Controlled Health Organisation
ACCO	Aboriginal Community Controlled Organisation
AIHW	Australian Institute of Health and Welfare
ANAO	Australian National Audit Office
BDM	Births, Deaths and Marriages Victoria
CAC	Capital Assets Charge
CALD	Culturally and Linguistically Diverse
CBD	Central Business District
CCS	Carbon Capture and Storage
ChCV	Children's Court of Victoria
CQV	COVID-19 Quarantine Victoria
CSV	Court Services Victoria
DELWP	Department of Environment, Land, Water and Planning
DET	Department of Education and Training
DFD	Domestic Final Demand
DFFH	Department of Families, Fairness and Housing
DH	Department of Health
DHHS	Department of Health and Human Services
DJCS	Department of Justice and Community Safety
DJPR	Department of Jobs, Precincts and Regions
DoT	Department of Transport
DPC	Department of Premier and Cabinet
DSAPT	Disability Standards for Accessible Public Transport
DTF	Department of Treasury and Finance
EIIF	Early Intervention Investment Framework
EV	Electric vehicle
FTE	Fulltime Equivalent
FVIM	Family Violence Implementation Monitor
GSP	Gross State Product
GST	Goods and Services Tax

HPV	Human papillomavirus
HRSAP	Homelessness and Rough Sleeping Action Plan
IBAC	Independent Broad-Based Anti-Corruption Commission
IGEM	Inspector-General for Emergency Management
LCR	Level Crossing Removal
LGA	Local Government Area
LGBTIQ+	Lesbian, Gay, Bisexual, Trans and gender diverse, Intersex, Queer and questioning
MCV	Magistrates' Court of Victoria
OECD	Organisation for Economic Co-operation and Development
OMC	Online Magistrates' Court
OoHC	Out-of-Home Care
PAEC	Public Accounts and Estimates Committee
РВО	Parliamentary Budget Office
PSB	Power Saving Bonus
PSRACS	Public Sector Residential Aged Care Services
RBA	Reserve Bank of Australia
RoGS	Report on Government Services
RRIF	Regulation Reform Initiative Fund
SFD	State Final Demand
SRL	Suburban Rail Loop
TAFE	Technical and Further Education
TEI	Total Estimated Investment
VAGO	Victorian Auditor-General's Office
VALS	Victorian Aboriginal Legal Service
VBHB	Victoria's Big Housing Build
VCAT	Victorian Civil and Administrative Tribunal
VGF	Venture Growth Fund
VGRMF	Victorian Government Risk Management Framework
VI	Victorian Inspectorate
VO	Victorian Ombudsman
VPHS	Victorian Population Health Survey
VRET	Victorian Renewable Energy Target
VSBA	Victorian School Building Authority
YBFS	Year Before School
ZEV	Zero Emission Vehicle

## Introduction

#### 1.1 The Public Accounts and Estimates Committee

Under the *Parliamentary Committees Act 2003* (Vic), the Public Accounts and Estimates Committee (PAEC) is required to:

inquire into, consider and report to the Parliament on ... 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.<sup>1</sup>

The Committee's objective in scrutinising the budget estimates in the 59th Parliament is to:

- assist Members of Parliament in their deliberation on the appropriation bills
- make recommendations which promote clear and full disclosure of the information contained in the budget papers
- provide Members of Parliament and the Victorian community with an improved understanding of the budget
- provide feedback on the performance measures that the Government proposes to discontinue
- encourage economical, efficient and effective government administration.<sup>2</sup>

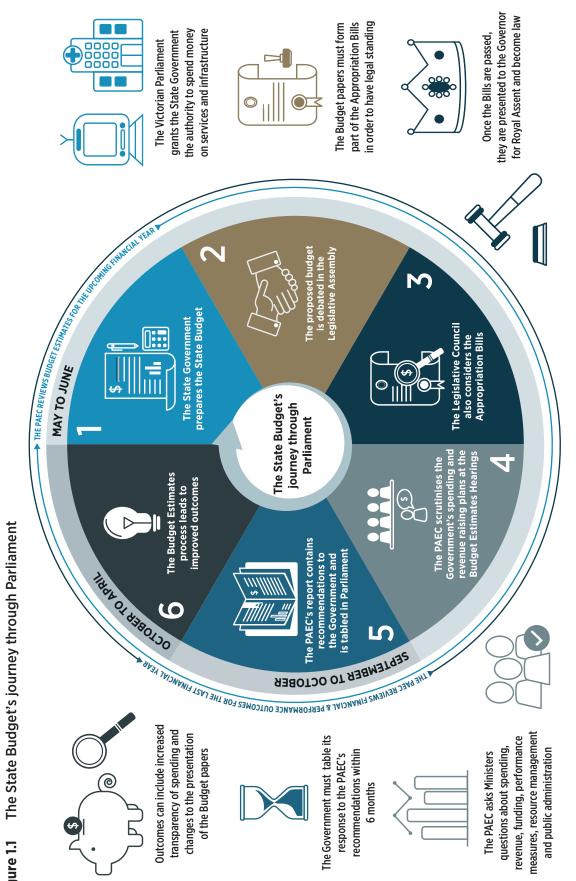
This report presents the findings and recommendations of the Committee as a result of its Inquiry into the 2021–22 Budget Estimates.

Figure 1.1 illustrates the State Budget's process through Parliament, and the role of PAEC in scrutinising the Government's spending and revenue raising plan for the upcoming financial year.

<sup>1</sup> Parliamentary Committees Act 2003 (Vic), s.14.

<sup>2</sup> Parliament of Victoria, Introduction to the PAEC, August 2021, <a href="https://www.parliament.vic.gov.au/images/stories/committees/paec/PAEC">https://www.parliament.vic.gov.au/images/stories/committees/paec/PAEC</a> Brochures/Introduction to the PAEC August 2021, pdf> accessed 30 August 2021.

The State Budget's journey through Parliament Figure 1.1



Source: Public Accounts and Estimates Committee.

## 1.2 The inquiry process

Each year around May, the Government tables the budget papers and the Appropriation Bills in the Parliament. The budget papers include estimated expenditure and projections of government revenue for the next financial year and over the forward estimates (three years). They also outline the State's economic outlook, the Government's proposed major initiatives and provide information about the finances and performance of each department.

The Appropriation Bills reflect the spending proposals contained in the budget papers. The Parliament must pass these bills to authorise the expenditure of public money.

To assist the Committee members with their deliberations as part of this Inquiry, a questionnaire was sent to all departments and their agencies prior to the start of the public hearings. This year the questionnaire included questions on:

- alliance contracting
- the budget process and Victoria's integrity agencies
- financial measures and targets that support the Government's long-term financial management objectives
- strategic issues faced by the department/entity.

Public hearings were scheduled from 27 May 2021 to 4 June 2021. The first day of hearings proceeded as planned but in response to the public health restrictions announced on 27 May, the rest of the hearings were deferred. The hearings resumed on 16 June and concluded on 30 June 2021.

The Acting Premier, Treasurer, Ministers, Parliamentary Presiding Officers and senior departmental officials all appeared before the Committee. The hearings provided an opportunity for every Minister to present information on their portfolios. The hearings also provided the opportunity for Committee Members to question Ministers and public officials about various aspects of the Budget. During the hearings process, some witnesses agreed to take questions on notice from Committee members where they were unable to answer those questions in the hearing.

In writing this report, the Committee primarily used evidence presented at the public hearings, information provided by departments in the questionnaires and responses provided to questions taken on notice.

Transcripts of the public hearings, the Ministers' presentations, documents tabled and responses to questions taken on notice can be found on the Committee's website: <a href="https://www.parliament.vic.gov.au/paec">www.parliament.vic.gov.au/paec</a>.

Considerable departmental resources are allocated to preparing for the Committee hearings and responding to written requests for information. The Committee would like to acknowledge this significant investment by Ministers, the Presiding Officers and departmental staff in the inquiry process.

## 1.3 Report structure

This report has 13 chapters including this introductory chapter.

Chapter 2: Whole of government review considers the progression of the fiscal strategy that was set out in the 2020–21 Budget. The chapter focuses on the general government fiscal aggregates, revenue, expenditure, savings measures, asset investment and debt outlined in the 2021–22 Budget. The chapter further examines the economic performance of Victoria at the time of the 2021–22 Budget release and the economic outlook for Victoria.

Chapters 3 to 13 consider the budget estimates by department/entity in order of budget allocation (largest to smallest). These chapters include an overview of the department/entity, a financial analysis and the capital spend (where relevant). Key issues identified during the Committee's inquiry by portfolio are examined as well as new and proposed discontinued performance measures.

<sup>3</sup> Some departments are heavily infrastructure driven while other departments are service delivery oriented.

## 2 Whole of government review

#### 2.1 Introduction

The 2021–22 Budget provides estimates of government revenue and expenditure for the 2021–22 financial year and forward estimates. It also outlines the services to be delivered for the next four years.

In Victoria, the 2021–22 Budget was handed down six months after the 2020–21 Budget due to the disruptions to the regular budget cycle from the COVID-19 pandemic. The 2021–22 Budget was vastly different to the previous year's budget. This year's budget has an optimistic outlook as the Government expects improved economic outcomes and fiscal recovery.

This chapter will look at the fiscal overview of the Government, economic outlook, assumptions used in the budget, revenue initiatives, government expenditure, saving measures, government infrastructure and net debt.

#### 2.2 Fiscal overview

The 2020–21 Budget introduced a medium term four step plan for economic recovery. The four step plan involves:

- Step 1: creating jobs, reducing unemployment and restoring economic growth.
- Step 2: returning to an operating cash surplus.
- Step 3: returning to operating surpluses.
- Step 4: stabilising debt levels.<sup>2</sup>

At the hearing, the Treasurer discussed the fiscal strategy and the progress Victoria has made since the 2020–21 Budget.

Department of Treasury and Finance, Budget Paper No. 2: 2020–21 Strategy and Outlook, Melbourne, 2020, p. 6.

<sup>2</sup> Ibic

#### 2.2.1 Fiscal strategy

The Treasurer discussed the *Jobs Plan* that was introduced in the 2020–21 Budget as part of Step 1.<sup>3</sup> The *Jobs Plan's* aim is for the number of people employed in Victoria to be 400,000 higher by 2025, with an interim milestone of an additional 200,000 or more people employed by 2022.<sup>4</sup> The Committee found in its *Report on the 2020–21 Budget Estimates* that the budget papers do not contain a base level of employment regarding the jobs target. The Committee recommended that budget papers specify the base level for macroeconomic indicators such as unemployment and employment.<sup>5</sup> At the hearing, the Treasurer informed the Committee that as a result of the Government's stimulus strategy, Victoria had already met the interim target, having created 243,000 jobs since September 2020.<sup>6</sup> The Treasurer stated that the economic recovery is 'progressing strongly', and that the Government is on track to meet the 2025 jobs target under the *Jobs Plan*.<sup>7</sup>

The Australian Bureau of Statistics' (ABS) May 2021 release however contained revised job figures for April 2021. The ABS data shows that Victoria's total employment numbers declined from March 2020 to April 2021. In May 2021, Victoria had created 13,900 jobs since the pandemic began.<sup>8</sup>

**FINDING 1:** The Victorian Government's fiscal strategy consists of four steps. The first step is to create employment. The Government set an interim target of creating 200,000 jobs by 2022 under the *Jobs Plan* introduced in the 2020–21 Budget. The Government has met this target by creating 243,000 jobs between September 2020 and April 2021.

**FINDING 2:** Between March 2020 and May 2021, total employment in Victoria has increased by 13,900 people.

The second step of the Government's fiscal strategy is to return to an operating cash surplus—the net cash flows from operating activities. The amount of net cash flow indicates the ability of an entity to maintain its operating capability, repay obligations and make new investments without recourse to external sources of financing.<sup>9</sup>

<sup>3</sup> Hon Tim Pallas MP, Treasurer, 2021–22 Budget estimates (Treasurer) hearing, Melbourne, 27 May 2021, Transcript of evidence, p. 1.

<sup>4</sup> Department of Treasury and Finance, Budget Paper No. 2: 2020-21, p. 39.

<sup>5</sup> Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020–21 Budget Estimates, April 2021, pp. 166–167.

<sup>6</sup> In Victoria, September 2020 recorded the lowest numbers for employment since the pandemic began in March 2020. Source: Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, pp. 2, 10–11.

<sup>7</sup> Hon Tim Pallas MP, Treasurer, Transcript of evidence, p. 10.

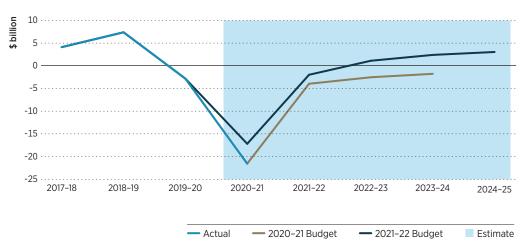
Australian Bureau of Statistics, Labour Force, Australia, cat. no. 6202.0, 17 June 2021, <a href="https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release#data-downloads">https://www.abs.gov.au/statistics/labour/employment-labour-force-australia/latest-release#data-downloads</a> accessed 20 June 2021 (Committee calculation)

<sup>9</sup> International Public Sector Accounting Standard, *IPAS 2—Cash flow statements*, May 2000, <a href="https://www.ifac.org/system/files/publications/files/ipsas-2-cash-flow-sta.pdf">https://www.ifac.org/system/files/publications/files/ipsas-2-cash-flow-sta.pdf</a> accessed 17 June 2021.

The Treasurer explained that having sufficient cash inflows to offset the cash outflows is 'a key pillar of a jurisdiction's fiscal sustainability.'10

The net outflows from operating activities for the general government sector are forecast to return to a surplus of \$1.1 billion by 2022–23 and will increase to \$3 billion in 2024–25. Compared to the 2020–21 Budget, the 2021–22 Budget outlines a noticeable improvement in the Government's net cash flows from operating activities.<sup>11</sup> This is shown in Figure 2.1.

Figure 2.1 Net cash flows from operating activities—return to surplus forecast



Source: Department of Treasury and Finance, 2019–20 Financial Report, October 2020, Melbourne, p. 39; Department of Treasury and Finance, 2018–19 Financial Report, October 2019, Melbourne, p. 31; Department of Treasury and Finance, Budget Paper No. 4: 2020–21 Statement of Finances, Melbourne, 2020, p. 11; Department of Treasury and Finance, Budget Paper No. 5: 2021–22 Statement of Finances, Melbourne, 2021, pp. 9, 242.

The Treasurer advised that the improvement in net cashflow forecasts demonstrated that an appropriate strategy to respond to the pandemic will result in improved economic conditions, and thereby reduce the need for stimulus going forward.<sup>12</sup>

However, it is unclear how the 2021–22 Budget's net cashflow estimates will be affected as a result of the *Circuit Breaker Business Support Package* that was announced during the May-June COVID-19 restrictions in Victoria.<sup>13</sup>

The Committee also notes that the Government did not publish a budget update for 2020–21. Given the high degree of uncertainty involved in the forecasts outlined in budgets developed during a pandemic, it is important that the Government produces regular updates of the Government's fiscal strategy and fiscal aggregates.

<sup>10</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 10.

<sup>11</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2021–22 Strategy and Outlook*, Melbourne, 2021, p. 6; Department of Treasury and Finance, *Budget Paper No. 2: 2020–21*, p. 7.

<sup>12</sup> Hon Tim Pallas MP. Treasurer. *Transcript of evidence*, p. 10.

<sup>13</sup> Business Victoria, *Circuit Breaker Business Support Package*, 16 June 2021, <a href="https://business.vic.gov.au/grants-and-programs/circuit-breaker-business-support-package">https://business.vic.gov.au/grants-and-programs/circuit-breaker-business-support-package</a> accessed 17 June 2021.

**FINDING 3:** The Government's second step in the fiscal strategy is to return to an operating cash surplus. The 2021–22 Budget indicates a return to operating cashflow surplus in 2022–23.

**RECOMMENDATION 1:** The Department of Treasury and Finance publish regular updates to provide revised estimates of the Victorian Government's fiscal strategy and other fiscal aggregates.

The third step of the fiscal strategy is to return to a net operating surplus. While the Government records deficits across the forward estimates in the 2021–22 Budget, the Treasurer stated that the operating deficits reported in the 2021–22 Budget are smaller than the previous budget. The Committee notes that the 2021–22 Budget does not state the year in which the Government will return to a net operating surplus.

Discussing the fourth step of the fiscal strategy, which is to stabilise net debt, the Treasurer stated that compared to 2020–21, the 2021–22 Budget shows that the Government's debt position is beginning to stabilise. In the 2020–21 Budget, the Government forecast that it would record a net debt of \$154.8 billion in 2023–24. However, the 2021–22 Budget estimates the net debt to reach \$156 billion by 2024–25, a year later than originally forecast. In

The Committee's Report on the 2020–21 Budget Estimates found that the Government's financial measures and targets require numerical objectives to accurately evaluate the Government's performance against the financial measures. The Government's fourth step of the fiscal strategy does not provide a numerical indicator to define 'stabilisation' in net debt. In addition, the budget papers do not provide a timeframe to achieve the stabilisation in net debt.

The Committee's questionnaire asked the Department of Treasury and Finance (DTF) to clarify what it means when referring to debt being 'stabilised in the medium term'. DTF responded:

Stabilising debt – the last step in the Government's fiscal strategy – is important as debt will continue to grow as a percentage of [gross state product] GSP, until operating surpluses are at a level which limits the growth in debt to the growth rate of GSP.<sup>17</sup>

<sup>14</sup> Department of Treasury and Finance, Budget Paper No. 2: 2020-21, p. 6; Hon Tim Pallas MP, Treasurer, Transcript of evidence, p. 11.

<sup>15</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 11.

Department of Treasury and Finance, Budget Paper No. 2: 2020-21, p. 7; Department of Treasury and Finance, Budget Paper No. 2: 2021-22, p. 59.

<sup>17</sup> Department of Treasury and Finance, Response to the 2021–22 Budget Estimates General Questionnaire, received 21 May 2021, p. 125.

The Committee asked DTF to clarify this further. DTF advised that stabilising net debt as a percentage of GSP requires operating surpluses to be sufficiently large to fund a certain portion of the Government's capital expenditure, whilst also considering the growth in Victoria's GSP. According to DTF, this implies that net debt can still increase in nominal terms yet remain stable relative to GSP.<sup>18</sup>

**FINDING 4:** The Government's third and fourth step of the fiscal strategy include returning to operating surplus and stabilising debt levels. However, the 2021–22 Budget does not provide a timeline nor a numerical objective for these targets.

#### 2.2.2 General government fiscal aggregates

The State's key fiscal aggregates over the budget and forward estimates have significantly improved in the 2021–22 Budget compared to 2020–21 Budget.<sup>19</sup> This is outlined in Table 2.1.

<sup>18</sup> Department of Treasury and Finance, correspondence, 29 June 2021.

<sup>19</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 10.

General government fiscal aggregates, 2020-21 Budget compared to 2021-22 Budget Table 2.1

	20	2020-21		ž	2021-22		20	2022-23		2	2023-24		2024-25
	2020-21 Budget	2021-22 Budget	٥	2020–21 Budget	2021-22 Budget	٥	2020-21 2 Budget	2021-22 Budget	٥	2020-21 Budget	2021-22 Budget	٥	2021-22 Budget
Net result from transactions (\$ billion)	(23.3)	(17.4)	<b>←</b>	(13.1)	(11.6)	<b>←</b>	(6.7)	(3.8)	<b>←</b>	(5.9)	(2.1)	<b>←</b>	(2.1)
Net cash flows from operating activities (\$ billion)	(21.8)	(17.4)	<b>←</b>	(4.0)	(2.0)	<b>←</b>	(2.6)	1.1	<b>←</b>	(1.8)	2.4	<del>&lt;</del>	3.0
Government infrastructure investment (\$ billion)	19.4	14.5	<b>→</b>	19.5	24.2	<b>←</b>	20.3	21.7	<b>←</b>	19.2	22.7	<b>←</b>	21.6
Net debt (\$ billion)	86.7	77.5	<b>→</b>	109.7	102.1	<b>→</b>	132.9	120.0	<b>→</b>	154.8	138.3	<b>→</b>	156.3
Net debt to GSP (%)	19.5	16.7	<b>→</b>	22.5	20.3	<b>→</b>	26.0	22.7	<b>→</b>	28.9	24.9	<b>→</b>	26.8

Notes:  $\Delta$  symbol represents change.

Green arrows represent an improvement in fiscal aggregates. Red arrows represent a deterioration in fiscal aggregates.

Source: Department of Treasury and Finance, Budget Paper No. 2: 2020–21 Strategy and Outlook, Melbourne, 2020, p. 7; Department of Treasury and Finance, Budget Paper No. 2: 2021–22 Strategy and Outlook, Melbourne, 2021, p. 6.

By and large, the Government's fiscal aggregates have improved since the 2020–21 Budget. However government infrastructure investment continues to increase over the next three years.<sup>20</sup>

**FINDING 5:** The 2021–22 Budget forecasts an improvement in the general government fiscal aggregates. However, the Government infrastructure investment continues to increase over the next three years.

#### 2.3 Economic outlook for 2021–22

#### 2.3.1 Economic performance since the 2020-21 Budget

At the hearing, the Treasurer discussed Victoria's state final demand (SFD)<sup>21</sup> and stated that 'the Victorian economy is the best performing economy in the nation at the moment.'<sup>22</sup> Victoria's SFD for the December 2020 quarter was 6.8%, well above the domestic (national) final demand (DFD) of 3.3%.<sup>23</sup> In the March 2021 quarter, SFD was reported at 2.3%, remaining above the DFD of 1.6%.<sup>24</sup>

The Treasurer stated that Victoria's participation rate and unemployment rate have rebounded since the 2020–21 Budget.<sup>25</sup> The Committee notes that the latest ABS data release on the labour force show that Victoria's participation rate in May 2021 was 66.6%, slightly above the national average of 66.2%.<sup>26</sup> In May 2021, Victoria's unemployment rate dropped to 4.8% from its peak of 7.3% reported in October 2020. Victoria's unemployment rate was lower than the national average of 5.1% in May 2021.<sup>27</sup>

**FINDING 6:** The state final demand of Victoria was 2.3% in the March quarter of 2021, above the domestic (national) final demand of 1.6%. In May 2021, Victoria's participation rate was above the national average and the unemployment rate declined to 4.8%.

<sup>20</sup> Department of Treasury and Finance, Budget Paper No. 2: 2021–22, p. 6.

<sup>21</sup> State Final Demand is a measurement of economic activity estimating the level of spending in the local economy by the private and public sectors. Spending is reported on the basis of consumption of goods and services, and capital investment. Source: Australian Capital Territory Government, Australian National Accounts: State Final Demand (SFD) September Quarter 2012, 5 December 2012, <a href="http://www.treasury.act.gov.au/snapshot/SFD.pdf">http://www.treasury.act.gov.au/snapshot/SFD.pdf</a> accessed on 20 June 2021.

<sup>22</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 11.

<sup>23</sup> Ibid.; Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product - December 2020*, 3 March 2021, <a href="https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/dec-2020#state-and-territory-final-demand">https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/dec-2020#state-and-territory-final-demand</a> accessed 20 June 2021.

<sup>24</sup> Australian Bureau of Statistics, Australian National Accounts: National Income, Expenditure and Product - March 2021.

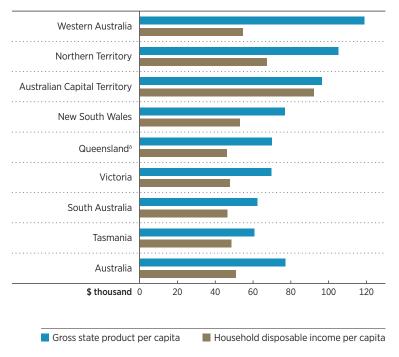
<sup>25</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 10.

<sup>26</sup> Australian Bureau of Statistics, Labour Force, Australia, cat. no. 6202.0, 17 June 2021, <a href="https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release#data-downloads">https://www.abs.gov.au/statistics/labour/employment-labour-force-australia/latest-release#data-downloads</a> accessed 20 June 2021.

<sup>27</sup> Australian Bureau of Statistics, Labour Force, Australia.

However, the Committee notes that an analysis of other key economic indicators such as household disposable income per capita and GSP per capita indicate that Victoria's economic growth has slowed compared to other states and territories. The analysis shows Victoria's GSP per capita was the third smallest compared to other states and territories. Similarly, Victoria's household disposable income per capita was \$48,107—lower than the national average of \$51,394.29 This is shown in Figure 2.2.

Figure 2.2 Gross state product per capita and household disposable income per capita by jurisdiction, 2020



a. Queensland household disposable income per capita data relates to 2019.

Source: Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, cat. no. 3101.0, 20 November 2021, <a href="https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release#data\_download">https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release#data\_download</a> accessed 20 June 2021; John Kehoe, 'Victoria lags after decade of decline', *Australian Financial Review*, 31 May 2021, <a href="https://www.afr.com/policy/economy/victoria-lags-after-decade-of-decline-20210528-p57w4z">https://www.afr.com/policy/economy/victoria-lags-after-decade-of-decline-20210528-p57w4z</a> accessed 20 June 2021.

**FINDING 7:** In 2020, Victoria's household disposable income per capita and gross state product per capita were weaker than other states and territories.

<sup>28</sup> Australian Bureau of Statistics, Australian National Accounts: State Accounts, cat. no. 3101.0, 20 November 2020, <a href="https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release#data-download">https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release#data-download</a> accessed 20 June 2021.

<sup>29</sup> John Kehoe, 'Victoria lags after decade of decline', Australian Financial Review, 31 May 2021, <a href="https://www.afr.com/policy/economy/victoria-lags-after-decade-of-decline-20210528-p57w4z">https://www.afr.com/policy/economy/victoria-lags-after-decade-of-decline-20210528-p57w4z</a> accessed 20 June 2021.

#### 2.3.2 Economic outlook

The 2021–22 Budget forecasts an improvement in the economic outlook compared to the 2020–21 Budget. The 2021–22 Budget forecasts the real GSP to decline by 2% in 2020–21, compared to the 4% decline outlined in the 2020–21 Budget, an improvement of 2 percentage points. The unemployment rate is revised down by 1.25 percentage points from the 2020–21 Budget at 6.5%.<sup>30</sup>

In 2020–21 Victorian economic indicators are forecast to perform below national forecasts. However, in 2021–22 Victoria is expected to outperform the national economic indicators (Table 2.3).

Table 2.3 Economic forecasts for Victoria and Australia, 2020–21 to 2024–25

st	Real gross ate product/ Real gross domestic product	Employment	Unemployment rate	Consumer price index	Wage price index	Population
	(%)	(%)	(%)	(%)	(%)	(%)
2020-21 forecas	t					
Australia	1.25	6.50	5.50	3.50	1.25	0.10
Victoria	(2.00)	(1.00)	6.50	1.50	1.25	0.00
2021-22 forecas	t					
Australia	4.25	1.00	5.00	1.75	1.50	0.20
Victoria	6.50	2.50	5.75	1.50	1.75	0.30
2022-23 forecas	t					
Australia	2.50	1.00	4.75	2.25	2.25	0.80
Victoria	3.25	1.25	5.50	1.75	2.00	1.20
2023-24 forecas	st					
Australia	2.25	1.25	4.50	2.50	2.50	n.a.
Victoria	2.75	1.75	5.25	2.00	2.25	1.70
2024-25 forecas	st					
Australia	2.50	1.25	4.50	2.50	2.75	n.a.
Victoria	2.75	1.75	5.25	2.25	2.50	1.70

Source: The Commonwealth of Australia, Budget Paper No. 1: 2021–22 Budget Strategy and Outlook, Canberra, 2021, pp. 9, 37; Department of Treasury and Finance, Budget Paper No. 2: 2021–22 Strategy and Outlook, Melbourne, 2021, p. 22.

<sup>30</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2020–21*, p. 21; Department of Treasury and Finance, *Budget Paper No. 2: 2021–22*, p. 22.

Population growth has been a significant driver of Victorian economic growth prior to the COVID-19 pandemic. In the 2019–20 Budget, the Government identified low population growth as a risk to the Victorian economic outlook, stating that low population growth could reduce household consumption and overall economic activity.<sup>31</sup>

With population growth estimated to remain unchanged in 2020–21 and below 2% until 2023–24 this is a real concern.

**FINDING 8:** The 2021–22 Budget's economic forecasts have significantly improved compared to the 2020–21 Budget. Although Victoria's economic indicators are forecast to perform below the national economic indicators in 2020–21, in 2021–22 Victoria is expected to outperform the national economic indicators.

**FINDING 9:** The 2021–22 Budget forecasts zero to moderate population growth in 2020–21 and over the next three years. As population growth has been a significant driver of economic growth in Victoria prior to the COVID-19 pandemic, the slower population growth could slow Victoria's economic recovery.

## 2.4 Assumptions and sensitivity analysis

The economic forecasts in the 2021–22 Budget are based on the following key assumptions:

- The roll-out of COVID-19 vaccines.
- International borders—migrant flows remaining low until mid-2022, international students returning from early 2022, tourist numbers increasing throughout 2022 as further Safe Travel Zones emerge and international borders re-open.
- Any further onset of COVID-19, in Victoria and nationally, is contained and only results in localised, short-term restrictions.<sup>32</sup>

The assumptions used in the Victorian Budget broadly align with the Commonwealth's 2021–22 Budget.<sup>33</sup>

The 2021–22 Budget also identifies several risks to the Victorian economic outlook. These include:

 decline in consumer spending as a result of the conclusion of policy supports such as the JobKeeper program, a decline in unemployment benefits, and banks' mortgage repayment deferrals<sup>34</sup>

<sup>31</sup> Department of Treasury and Finance, Budget Paper No. 2: 2019–20 Strategy and Outlook, Melbourne, 2019, p. 32.

<sup>32</sup> Department of Treasury and Finance, Budget Paper No. 2: 2021–22, p. 22.

<sup>33</sup> Parliamentary Budget Office, Victorian Budget 21/22 – independent snapshot, 2021, <a href="https://pbo.vic.gov.au/Victorian\_Budget\_2021-22\_-\_independent\_snapshot#outlook">https://pbo.vic.gov.au/Victorian\_Budget\_2021-22\_-\_independent\_snapshot#outlook</a> accessed 21 June 2021.

<sup>34</sup> Department of Treasury and Finance, Budget Paper No. 2: 2021-22, p. 42.

- delays or problems with the global rollout of COVID-19 vaccines, delaying the timing of the national borders reopening
- further spread of COVID-19 domestically, requiring the reintroduction of broad activity restrictions for extended periods
- slower than expected recovery of net overseas migration posing a long term risk.<sup>35</sup>

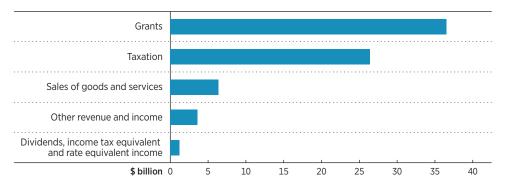
### 2.5 Revenue measures

In 2021–22, the State's total revenue is expected to be \$74.6 billion, an increase of \$3.2 billion (or 4.4%) compared to the 2020–21 revised estimate.<sup>36</sup> Consistent with previous years, revenue from grants is the largest contributor to general government revenue in 2021–22, accounting for \$36.8 billion (49%).<sup>37</sup>

In 2021–22, taxation revenue will attribute \$26.6 billion (36%) to revenue.<sup>38</sup> The land transfer duty tax component of taxation revenue is the largest component, accounting for \$6.7 billion (25.2%) of taxation revenue. Payroll taxes will contribute the second largest amount to state taxation with \$6.3 billion (24.6%).<sup>39</sup>

The estimated components of general government revenue and state taxation revenue in 2021–22 are illustrated in Figure 2.3 and Figure 2.4.

Figure 2.3 General government revenue composition and state taxation revenue components, 2021–22



Source: Department of Treasury and Finance, Budget Paper No. 5: 2021-22 Statement of Finances, Melbourne, 2021, pp. 166, 167.

<sup>35</sup> Ibid

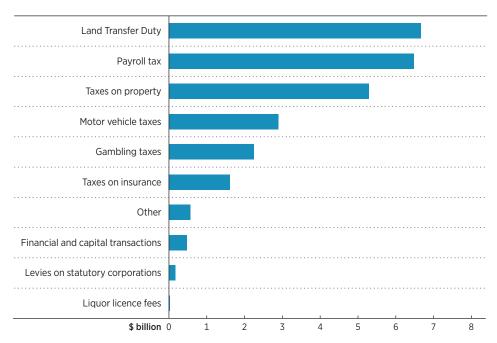
<sup>36</sup> Ibid., p. 61 (Committee calculation).

<sup>37</sup> Department of Treasury and Finance, Budget Paper No. 5: 2021–22 Statement of Finances, Melbourne, 2021, p. 166 (Committee calculation).

<sup>38</sup> Ibid. (Committee calculation).

<sup>39</sup> Ibid., p. 167 (Committee calculation).

Figure 2.4 State taxation revenue components, 2021–22



Source: Department of Treasury and Finance, Budget Paper No. 5: 2021-22 Statement of Finances, Melbourne, 2021, pp. 166, 167.

The 2021–22 Budget introduced several new revenue initiatives as a way of repairing the fiscal position of the Government.<sup>40</sup> The Treasurer explained that the changes to payroll tax, land tax and stamp duty are targeted measures:

[these measures] are asking those that have done relatively well through the pandemic and those that can most afford to pay to make a contribution towards supporting the fiscal and economic recovery and ensure that we can continue to provide the essential services that Victorians rely on.<sup>41</sup>

At the hearing, the following four new revenue measures were discussed:

- Mental health and wellbeing levy—from 1 January 2022, Victorian businesses with national payrolls over \$10 million a year will see a payroll tax surcharge of 0.5%.
   Victorian businesses with national payrolls over \$100 million will pay an additional 0.5%.<sup>42</sup>
- Increase land tax rates for high-value landholdings—from 1 January 2022, land tax
  on landholdings between the value of \$1.8 million and \$3 million will increase by
  0.25 percentage points and 0.3 percentage points for those valued over \$3 million.<sup>43</sup>

<sup>40</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 27.

**<sup>41</sup>** Ibid., p. 11.

<sup>42</sup> Department of Treasury and Finance, Budget Paper No. 5: 2021–22, p. 177.

<sup>43</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 139.

- Windfall gains tax for high-value landholdings—from 1 July 2022, a levy of 50% will be applied for profits arising from property rezoning if the gain is \$500,000 or more, with the tax phasing in from \$100,000.<sup>44</sup>
- Premium duty rate on land transfer duty for high-value properties—from 1 July 2021, for property transactions more than \$2 million, the land transfer duty will increase to \$110,000 plus 6.5% in excess of \$2 million.<sup>45</sup>

Table 2.4 shows the estimated forecast of the four new revenue initiatives introduced in the 2021–22 Budget.

**Table 2.4** New revenue initiatives—revenue projections in 2021–22 and over the forward estimates

Revenue initiative	2021-22	2022-23	2023-24	2024-25	Total
	(\$ million)				
Mental health and wellbeing levy	386.7	804.7	841.4	881.7	2,914.5
Increase land tax rates for high-value landholdings	335.9	368.0	397.2	433.3	1,534.4
Windfall gains tax for high-value landholdings		38.7	41.0	43.9	123.6
Premium duty rate on land transfer duty for high-value properties	136.7	184.1	210.5	229.7	761.0
Total	859.3	1,395.5	1,490.1	1,588.6	5,333.5

Source: Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, pp. 20, 138.

#### **2.5.1** Progressive taxation system

The Treasurer advised the Committee that the majority of employing businesses in Victoria will not pay the mental health and wellbeing levy and that Victoria continues to have one of the lowest payroll tax rates in Australia.<sup>46</sup>

Regarding the land tax increment, the Treasurer advised that less than 6% of Victorians pay land tax. Of these, only 8% will be subjected to the additional charges. The Treasurer also stated that the land tax rate increase of 0.25 percentage points for land valued between \$1.8 million and \$3.3 million will continue to be the lowest land tax rate in Australia (currently at 1.3%, 47 increasing to 1.55%). 48

**<sup>44</sup>** Ibid., p. 140.

**<sup>45</sup>** Ibid., p. 139.

<sup>46</sup> Hon Tim Pallas MP, Transcript of evidence, p. 11.

<sup>47</sup> State Revenue Office's website indicates that a land tax duty of 1.3% applies to land valued between \$1.8 million to \$3 million. Source: State Revenue Office, *Land tax current rates*, 29 January 2021, <a href="https://www.sro.vic.gov.au/land-tax-current-rates">https://www.sro.vic.gov.au/land-tax-current-rates</a> accessed 22 June 2021.

<sup>48</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 12 (Committee calculation); State Revenue Office, *Land tax current rates* (Committee calculation).

In the context of stamp duty or transfer duty, the Treasurer outlined that, given the forecast rise in property prices in Victoria for 2021, a property valued at more than \$2 million will gain much more from capital appreciation over a 12 month period than would be lost to the increased stamp duty.<sup>49</sup>

## 2.6 Expenditure

Total output expenditure for the general government sector is expected to be \$86.2 billion in 2021–22. The Government forecasts the expenditure to decline by 2.9% in 2022–23 and estimates expenditure growth will moderate over 2023–24 and 2024–25.50

The 2021–22 Budget allocates \$19.0 billion over five years in new output expenditure which includes \$1.3 billion in new output funding in 2020–21.<sup>51</sup> The 2021–22 Budget allocates \$7.1 billion in new capital investment, with the Department of Transport receiving the highest allocation in asset funding of \$3.1 billion.<sup>52</sup>

Employee expenses are the largest driver of general government sector expenditure, accounting for approximately 37% of total expenses in 2021–22.<sup>53</sup> The Committee notes that employee expenses have grown at an average of 7% in the five years prior to 2020–21.<sup>54</sup> The Government estimates employee expenses will increase by 7% and 10% in 2020–21 and 2021–22 respectively.<sup>55</sup> From 2022–23, the Government expects employee expenses to grow at an average rate of 2.5%.<sup>56</sup> Growth in employee expenses from 2015–16 to 2024–25 (estimate) is shown in Figure 2.5.

**<sup>49</sup>** Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 27.

<sup>50</sup> Department of Treasury and Finance, Budget Paper No. 2: 2021–22, p. 6.

<sup>51</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 1.

**<sup>52</sup>** Ibid., p. 2.

<sup>53</sup> Department of Treasury and Finance, Budget Paper No. 5: 2021–22, p. 7 (Committee calculation).

<sup>54</sup> Department of Treasury and Finance, Financial reports 2015–16 to 2019–20 (Committee calculation).

<sup>55</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2021–22*, p. 79 (Committee calculation).

**<sup>56</sup>** Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 16.

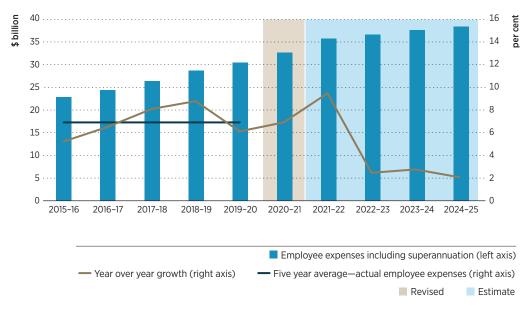


Figure 2.5 Employee expenses growth over the years, 2015–16 to 2024–25 (estimate)

Source: Department of Treasury and Finance, 2015–16 to 2019–20 Financial Reports; Department of Treasury and Finance, *Budget Paper No. 2: 2021–22 Strategy and Outlook*, Melbourne, 2021, p. 79 (Committee calculation).

At the hearing, the Committee asked the Treasurer about the continuous growth in employee expenses and the accuracy of the forecast moderate growth over the forward estimates. The Treasurer explained that the growth in expenditure is a consequence of substantial investment required during the COVID-19 pandemic. The Treasurer stated that the Government will implement base review findings to achieve the anticipated savings. The Treasurer said the efficiencies could be in the form of: reducing consultancy expenditure, marketing and communication functions or realigning/merging of activities in areas that are duplicated across agencies.

**FINDING 10:** From 2022–23, the Government expects employee expenses to moderate at an average annual rate of 2.5%. The Government will also implement base review and saving efficiencies in the areas of consultancy and advertising expenditure and eliminate duplicated activities across agencies.

**RECOMMENDATION 2:** The Victorian Government publish the 2019–20 and 2020–21 Victorian Government Advertising Report and release the advertising plan for 2021–22.

**<sup>57</sup>** Ibid.

<sup>58</sup> Ibid., p. 17.

## 2.7 Saving measures

The 2021–22 Budget introduces \$3.6 billion in savings initiatives.<sup>59</sup> This consists of whole of government savings of \$1.9 billion over the next four years, with seven departments forecast to achieve \$1.7 billion in savings over the next five years.<sup>60</sup> Table 2.5 provides a breakdown of base review efficiencies by whole of government and by department.

 Table 2.5
 Base review efficiencies, whole of government and by department

	2020-21	2021-22	2022-23	2023-24	2024-25	5-year total
	(\$ million)					
Whole of government	-	98.7	167.9	690.3	925.0	1,881.9
Department of Education and Training	0.5	31.9	62.8	94.6	111.3	301.1
Department of Environment, Land, Water and Planning	5.5	10.9	29.1	74.4	37.2	157.1
Department of Jobs, Precincts and Regions	116.0	33.0	58.2	68.1	68.7	344.0
Department of Justice and Community Safety	3.7	27.4	53.2	100.1	137.4	321.8
Department of Premier and Cabinet	-0.5ª	10.3	14.9	21.3	21.3	67.3
Department of Transport	8.5	81.9	128.8	112.0	111.8	443.0
Department of Treasury and Finance	-	5.0	12.5	17.5	20.0	55.0
Total departments	133.7	200.4	359.5	488.0	507.7	1,689.3

a. The Committee notes that the Department of Premier and Cabinet is assigned with negative \$0.5 million in efficiencies. An explanation is not provided.

Note: Department of Health and Department of Families, Fairness and Housing were not assigned with base review efficiencies.

Source: Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, pp. 21–142 (Committee calculation).

The Committee notes that the 2019–20 Financial Performance and Outcomes questionnaire responses by departments showed that savings initiatives announced in previous years have been met. However, the Committee notes that apart from the Committee's questionnaire, the Government does not report on the actual savings achieved in official documents such as departmental annual reports.

**FINDING 11:** The 2021–22 Budget introduces whole of government savings targets of \$1.9 billion and departmental savings of \$1.7 billion over the next four to five years. The Government departments do not publish the actual savings achieved in their annual reports.

<sup>59</sup> Hon Daniel Andrews MP, Contributing A Fair Share For A Stronger Victoria, media release, 15 May 2021.

<sup>60</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 21–142 (Committee calculation).

**RECOMMENDATION 3:** Victorian Government departments publish the actual savings achieved in their annual reports.

## 2.8 Government infrastructure spend

The 2021–22 Budget estimates capital expenditure to average \$22.5 billion a year over the Budget and forward estimates.<sup>61</sup> In 2020–21, the Budget estimated that capital investment would average \$19.6 billion over the four years following the budget year.<sup>62</sup>

At the hearing, the Treasurer outlined some of the major capital programs such as the Big Build program, redevelopment of the Maryborough hospital, building paediatric zones in emergency departments at five hospitals and a wide range of school infrastructure upgrades.<sup>63</sup> The capital spend relating to each department will be discussed in the relevant departmental chapters.

## 2.9 Debt management

The 2021–22 Budget estimates the general government net debt will increase from \$44.3 billion in 2019–20 to \$156.3 billion in 2024–25. $^{64}$  The 2020–21 revised estimate indicates the net debt position has improved slightly at \$77.5 billion, compared to \$86.7 billion outlined in the 2020–21 Budget. $^{65}$  In 2021–22 the net debt is estimated to be \$102.1 billion, an increase of \$24.6 billion (31.7%) compared to the 2020–21 revised estimate. $^{66}$ 

**FINDING 12:** The Government's net debt position has been revised since the 2020–21 Budget, with net debt currently forecast to be \$156.3 billion in 2024–25.

At the hearing, the Committee asked the Treasurer to identify the purchasers of Victoria's debt. The Treasurer advised that domestic banks are the principal purchasers and provided the composition of the current holders of Treasury bonds (Figure 2.6).

<sup>61</sup> Department of Treasury and Finance, Budget Paper No. 2: 2021–22, p. 69.

<sup>62</sup> Ibid., p. 84

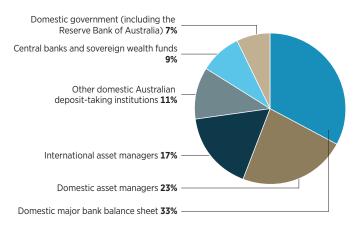
<sup>63</sup> Hon Tim Pallas MP, Treasurer, Transcript of evidence, p. 28.

<sup>64</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2021–22*, p. 6.

<sup>65</sup> Ibid.; Department of Treasury and Finance, Budget Paper No. 2: 2020–21, p. 7.

<sup>66</sup> Department of Treasury and Finance, Budget Paper No. 2: 2021–22, p. 6 (Committee calculation).

Figure 2.6 Victorian Treasury bonds—composition of debt holders



Source: Hon Tim Pallas MP, Treasurer, 2021–22 Budget Estimates hearing, response to questions on notice, received 21 June 2021, pp. 5–6.

## 3 Department of Health

#### 3.1 Overview

The Department of Health (DH) commenced its operations on 1 February 2021.<sup>1</sup> It was previously part of the mega department—the Department of Health and Human Services. The department supports the ministerial portfolios of Health, Ambulance Services, Disability, Ageing and Carers, and Mental Health.<sup>2</sup>

DH's mission is 'to achieve the best health, wellbeing and safety of all Victorians so that they can live a life they value.'<sup>3</sup>

This chapter examines the budget initiatives for portfolios that are supported by DH along with other relevant issues that were discussed at the estimates hearings. The issues relating to the portfolios for Disability, Ageing and Carers are discussed in Chapter 7 of this report.

## **3.2** Financial analysis

DH has the largest output funding of all departments, with \$23.4 billion allocated in 2021–22.4 This represents 34% of the total output funding across all government departments.<sup>5</sup>

The 2021–22 Budget allocates \$2.7 billion in new output initiatives for the budget year 2021–22, with a total of \$5.6 billion allocated across the next four years.<sup>6</sup> \$328.9 million has been retrospectively allocated for 2020–21 to the vaccine rollout program.<sup>7</sup> No funding has been allocated in 2021–22 and over the forward estimates for the vaccine rollout.

The Budget outlines new asset initiatives with a total estimated investment (TEI) of \$1.9 billion.8

<sup>1</sup> Hon Daniel Andrews MP, New Departments to Deliver a Healthier, Fairer Victoria, media release, 30 November 2020.

<sup>2</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, p. 223.

<sup>3</sup> Ibid

<sup>4</sup> Ibid., p. 225 (Committee calculation).

<sup>5</sup> Ibid

<sup>6</sup> Ibid., p. 59 (Committee calculation).

<sup>7</sup> Ibid., p. 59.

<sup>8</sup> Department of Treasury and Finance, Budget Paper No. 4: 2021-22 State Capital Program, Melbourne, 2021, p. 81.

In 2021–22, DH's output appropriation is reduced by 40.1% (\$8.1 billion) to \$12.1 billion due to the machinery of government changes following the establishment of the Department of Families, Fairness and Housing (effective 1 February 2021).9

DH estimates employee expenses to be \$15.3 billion in 2021–22, slightly higher than the 2020–21 Budget by 2.4% (\$360 million). This is due to the new government initiatives outlined in the 2021–22 Budget, offset by the machinery of government changes.<sup>10</sup>

DH identified no new savings initiatives for 2021–22.<sup>11</sup> Unlike most other departments, DH is not required to find efficiency savings in 2021–22.

## 3.3 Capital spend

The 2021–22 Budget outlines a capital program for the general government sector totalling \$70.6 billion, of which \$4.9 billion is for new projects. DH's new capital program of \$1.9 billion is the largest in the general government sector, representing about 38.8%. The sector is a sector of the se

In 2021–22, DH has the second highest TEI in total capital projects of \$9.4 billion.<sup>14</sup>

The 2021–22 Budget introduces 20 new capital projects for DH. Of the 20, the following five capital projects have the highest TEI:

- Ten new community hospitals—TEI of \$675 million
- Expanding and improving bed-based forensic mental health services: Thomas Embling Hospital (Fairfield)—TEI of \$349.6 million
- Expanding mental health treatment facilities for Victoria's youth (statewide)—TEI of \$141 million
- Enabling a high quality, efficient public pathology system (statewide)—TEI of \$116.5 million
- Delivering more hospital beds for Melbourne's East—TEI of \$103.4 million.<sup>15</sup>

**FINDING 13:** The 2021–22 Budget contains a capital program of \$9.4 billion for the Department of Health (DH), of which \$1.9 billion is for new projects. DH has the second largest capital program in the general government sector.

<sup>9</sup> Department of Health, Response to the 2021–22 Budget Estimates General Questionnaire, received 16 June 2021, p. 33 (Committee calculation).

<sup>10</sup> Ibio

<sup>11</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 59.

<sup>12</sup> Department of Treasury and Finance, Budget Paper No. 4: 2021–22, p. 22 (Committee calculation).

<sup>13</sup> Ibid., p. 81 (Committee calculation).

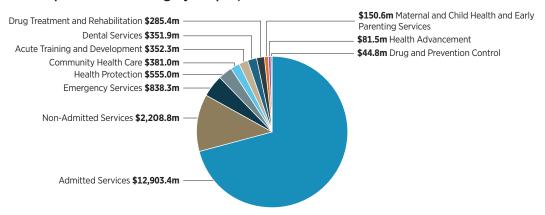
<sup>14</sup> Ibid. (Committee calculation).

<sup>15</sup> Ibid., pp. 80-81.

# 3.4 Health portfolio: key issues

The Minister for Health is responsible for 14 outputs with total output funding of \$18.6 billion in 2021–22. 16 This is illustrated in Figure 3.1.

Figure 3.1 Health portfolio—funding by output, 2021–22



Source: Department of Health, Response to the 2021-22 Budget Estimates General Questionnaire, received 16 June 2021, p. 129; Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, p. 225.

#### 3.4.1 Cost of COVID-19 containment

At the hearing, DH was asked about the cost of the overhaul of the contact tracing platform. A contact tracing platform is a digital tool to identify all of the people that a COVID-19 patient has come in contact with and records the locations the person has been to when they are infectious.<sup>17</sup> DH advised that in 2020–21 the Salesforce platform cost \$34.1 million, however also added that the actual cost of improving contact tracing has not been reconciled for the year 2020–21.<sup>18</sup>

DH further advised that in May 2021 Telstra Health was awarded a contract to implement several of the recommendations that were provided in a contact centre operations review.<sup>19</sup> The contract reportedly cost \$150,000 and the implementation of recommendations is expected to be completed by the end of August 2021.<sup>20</sup>

<sup>16</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 225; Department of Health, *Response to the 2021–22 Budget Estimates General Questionnaire*, pp. 129–130.

<sup>17</sup> World Health Organisation, *Tracking COVID-19: Contact Tracing in the Digital Age*, 9 September 2020, <a href="https://www.who.int/news-room/feature-stories/detail/tracking-covid-19-contact-tracing-in-the-digital-age">https://www.who.int/news-room/feature-stories/detail/tracking-covid-19-contact-tracing-in-the-digital-age</a> accessed 28 July 2021; Victorian Government, *Contact tracing data*, 30 July 2021, <a href="https://www.coronavirus.vic.gov.au/contact-tracing-data">https://www.coronavirus.vic.gov.au/contact-tracing-data</a> accessed 3 August 2021.

<sup>18</sup> Professor Euan Wallace, Secretary, Department of Health, 2021–22 Budget estimates (Health) hearing, Melbourne, 18 June 2021. *Transcript of evidence*. p. 7.

<sup>19</sup> Professor Euan Wallace, Secretary, Department of Health, 2021-22 Budget estimates (Health) hearing, Melbourne, 18 June 2021, response to questions on notice, received 13 July 2021, p. 2.

<sup>20</sup> Ibid.; Mr Richard Riordan MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Health) hearing, Melbourne, 18 June 2021, Transcript of evidence, p. 7.

**FINDING 14:** Expenditure on the Salesforce contact tracing platform was \$34.1 million in 2020–21. The Department of Health advised the Committee that that the cost of overhauling Victoria's contact tracing since last year will be reconciled at the end of the 2020–21 financial year.

# 3.4.2 Victoria's COVID-19 testing system

The 2021–22 Budget allocates \$46.5 million over four years and \$116.5 million in TEI to enable a high quality and efficient public pathology system.<sup>21</sup> At the hearing the Minister for Health stated that COVID-19 testing is a core part of the Government's COVID-19 response. The Minister advised that there had been a total of seven million COVID-19 tests undertaken at the time of the hearing and that there were 200 testing sites provided by the State.<sup>22</sup>

In addition to the individual testing of COVID-19 symptoms, the department also undertakes wastewater surveillance testing.<sup>23</sup> The Minister stated that an improvement in Victoria's pathology system will enable the processing of significant amounts of COVID-19 tests to protect communities from COVID-19 transmission.<sup>24</sup>

At times of high demand, for example where there are over 50,000 tests a day, the Minister confirmed that Victoria has been able to meet the national benchmark for turnaround times of the pathology reports.<sup>25</sup> The national benchmark was based on the *Finkel Report* which recommended that test results should be available within 24 hours of a sample being taken.<sup>26</sup> The Committee notes that the Government's contact tracing data website publishes the average weekly percentage of community cases informed of their result within 24 hours from specimen collection.<sup>27</sup>

**FINDING 15:** The 2021–22 Budget allocates \$46.5 million over four years and \$116.5 million in total estimated investment to improve Victoria's public pathology system.

<sup>21</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 59, 66.

<sup>22</sup> Hon Martin Foley MP, Minster for Health, 2021–22 Budget estimates (Health) hearing, Melbourne, 18 June 2021, *Transcript of evidence*, p. 20.

<sup>23</sup> Ibid., pp. 9, 20.

<sup>24</sup> Ibid., pp. 2, 9, 20.

<sup>25</sup> Ibid., p. 21.

<sup>26</sup> Dr Alan Finkel AO, *National Contact Tracing Review, report for Australian National Cabinet*, Department of Health, Canberra, 13 November 2020, p. 10.

<sup>27</sup> Government of Victoria, Contact tracing data, 16 July 2021, <a href="https://www.coronavirus.vic.gov.au/contact-tracing-data">https://www.coronavirus.vic.gov.au/contact-tracing-data</a> accessed 21 July 2021.

# 3.4.3 Meeting health care demand

The 2021–22 Budget allocates \$3.7 billion over the next four years to *Meeting demand* for hospital services.<sup>28</sup> \$1.4 billion will be spent on this initiative in 2021–22.<sup>29</sup> This will provide funding for additional elective surgery, emergency department staff, highly-specialised therapies and to support new wards.<sup>30</sup>

## **Elective surgery waiting list**

At the hearing the Minister explained that the funds allocated to elective surgery in the 2021–22 Budget builds on the \$300 million investment for the elective surgery blitz that was announced in the 2020–21 Budget.<sup>31</sup> The elective surgery blitz is estimated to deliver 34,800 elective surgeries to drive down waiting lists over the four years.<sup>32</sup> However, it is unclear what proportion of the \$1.4 billion total is allocated to address the elective surgery waiting list.

In September 2020,<sup>33</sup> the number of patients on the elective surgery waiting list surged to 65,843, an increase of 28.3% compared to 51,330 in March 2020, as a direct result of COVID-19 restrictions.<sup>34</sup> The latest available data shows that in the March 2021 quarter the number of patients on the waiting list has remained largely unchanged (-0.1%).<sup>35</sup> The Minister stated that as a result of the \$300 million investment outlined in the 2020–21 Budget, the elective surgery waitlist has stabilised and further investment in the area will reduce the number of patients on the waiting list over the years.<sup>36</sup> The 2021–22 Budget has increased the target for the number of patients admitted from the elective surgery waiting list by 5,780 (2.8%): from 203,020 in 2020–21 to 208,800 in 2021–22.<sup>37</sup>

**FINDING 16:** The 2021–22 Budget allocates \$3.7 billion over the next four years with \$1.5 billion allocated to 2021–22 to provide additional elective surgery, emergency department staff, highly-specialised therapies and to support new wards.

<sup>28</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 59 (Committee calculation).

**<sup>29</sup>** Ibid., p. 59.

**<sup>30</sup>** Ibid., p. 61.

<sup>31</sup> Hon Martin Foley MP, Minster for Health, *Transcript of evidence*, p. 36.

<sup>32</sup> Ibid.; Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020–21 Budget Estimates, April 2021, p. 61

<sup>33</sup> During the second wave of the COVID-19 virus, Victoria imposed State 3 restrictions on 1 July 2020. Public health restrictions lasted -10-12 weeks (regional Victoria and metropolitan had varied restrictions). Source: Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the Victorian Government's response to the COVID-19 pandemic*, February 2021, p. 8.

<sup>34</sup> Victorian Agency for Health Information, Patients waiting for treatment, 2021, <a href="https://vahi.vic.gov.au/elective-surgery/patients-waiting-treatment">https://vahi.vic.gov.au/elective-surgery/patients-waiting-treatment</a> accessed 22 July 2021 (Committee calculation); Hon Martin Foley MP, Minster for Health, Transcript of evidence, p. 36.

<sup>35</sup> Victorian Agency for Health Information, Patients waiting for treatment (Committee calculation).

<sup>36</sup> Hon Martin Foley MP, Minster for Health, *Transcript of evidence*, p. 36.

<sup>37</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 228.

**FINDING 17:** The pause on elective surgery due to public health restrictions led to the number of patients on the waiting list increasing to 65,843 in September 2020 up from 51,330 in March 2020. However, in March 2021, the number of patients on the waiting list was 65,780 compared to 65,843 in September 2020. The 2020–21 Budget allocated \$300 million to manage the elective surgery waiting list.

**FINDING 18:** The 2021–22 Budget has increased the target of the 'number of patients admitted from the elective surgery waiting list' from 203,020 in 2020–21 to 208,800 in 2021–22.

Additionally, the 2021–22 Budget allocates \$21.5 million over the next four years under the *Driving shorter wait lists and better outcomes from elective surgery* output initiative.<sup>38</sup> This initiative will complement the existing elective surgery wait list blitz by looking at more efficient same day surgical models, rapidly reassessing patients on wait lists, and piloting the expansion of alternative care pathways for suitable patients.<sup>39</sup>

# **3.4.4** Responding to community-based healthcare demand

Since March 2020, Victoria has entered several stages of restricted community activity which have had a significant impact on community-based healthcare delivery. The 2021–22 Budget allocates \$76.1 million in the budget year and \$14.9 million over the forward estimates (totalling \$91 million) to the output initiative *Responding to community based healthcare demand*. This funding is to provide additional dental services, cancer services and maternal and child health services as the delivery of these services were stalled due to public health restrictions. The Minister described this as 'catch-up care' on deferred check-ups as a result of the pandemic. At the hearing, the Minister explained that:

- \$38 million is allocated to increase the capacity of three new residential alcohol and other drugs treatment facilities, additional community-based counselling services and expanded forensic services.
- \$37.4 million is allocated for public dental services. A significant portion of this funding is targeted towards providing dedicated care for Aboriginal Victorians.
- \$13 million in cancer prevention and screening. Under this funding, the Government aims to provide human papillomavirus (HPV) vaccinations for 22,000 school children and 25,000 additional breast screening support for BreastScreen Victoria. This also includes funding for 6,500 colonoscopies that were either missed or delayed last year.

<sup>38</sup> Ibid., p. 59 (Committee calculation).

<sup>39</sup> Department of Health, Response to the 2021-22 Budget Estimates General Questionnaire, p. 40.

<sup>40</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 59 (Committee calculation).

**<sup>41</sup>** Ibid., p. 64.

<sup>42</sup> Hon Martin Foley MP, Minster for Health, *Transcript of evidence*, pp. 2, 28.

 \$4.1 million is allocated to three new women's sexual and reproductive health hubs, expanded operating hours and services at existing hubs.<sup>43</sup>

The Committee notes that notwithstanding the additional funding provided to cancer prevention and screening, the 2021–22 Budget shows that the target number of women screened for breast cancer by BreastScreen Victoria remains unchanged from 2020–21.44

According to Cancer Council Victoria, an estimated 2,530 cancer diagnoses were delayed or missed during the COVID-19 public health restrictions between 1 April and 15 October 2020.<sup>45</sup> Data during the same period showed that 10% fewer cancer screening pathology tests were ordered.<sup>46</sup> The Victorian Cancer Council warned that delays in diagnosis could be fatal, as individuals could be diagnosed at a later stage of cancer with limited treatment options available or cancers could be diagnosed when they are more advanced.<sup>47</sup>

**FINDING 19:** COVID-19 restrictions have had a significant impact on community-based healthcare delivery. The 2021–22 Budget allocates \$91 million over the next four years to health service areas that were impacted by the COVID-19 restrictions. This includes funding for dental services, cancer prevention services and maternal and child health services.

**FINDING 20:** From 1 April to 15 October 2020, during Victoria's COVID-19 public health restrictions, there was a 10% reduction in cancer screening pathology tests and there were 2,530 cancer diagnoses that were delayed or missed.

**FINDING 21:** The 2021–22 Budget allocates \$13 million to cancer prevention and screening. Part of this funding is allocated to BreastScreen Victoria to undertake 25,000 additional breast screenings. Despite the additional funding, the target number in the budget papers of 'women screened for breast cancer by BreastScreen Victoria' remains unchanged from the 2020–21 target.

# 3.5 Mental Health portfolio: key issues

The Minister for Mental Health is responsible for two outputs:

 Mental Health Clinical Care—\$2.2 billion in 2021–22, an increase of \$265.8 million (13.9%) compared to 2020–21.

<sup>43</sup> Hon Martin Foley MP, 2021–22 Budget estimates hearings presentation: Health, supplementary evidence received 18 June 2021, p. 6; Hon Martin Foley MP, Minster for Health, Transcript of evidence, pp. 2, 28.

<sup>44</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 243.

<sup>45</sup> Cate Swannell, 'Cancer diagnoses drop in COVID-19 lockdowns', The Medical Journal of Australia, 2021.

**<sup>46</sup>** Ihid

<sup>47</sup> Matilda Boseley, 'Fears late cancer diagnoses in Victoria because of Covid could cause fatal spike', The Guardian, 1 March 2021, <a href="https://www.theguardian.com/australia-news/2021/mar/01/fears-late-cancer-diagnoses-in-victoria-because-of-covid-could-cause-fatal-spike">https://www.theguardian.com/australia-news/2021/mar/01/fears-late-cancer-diagnoses-in-victoria-because-of-covid-could-cause-fatal-spike</a> accessed 23 July 2021.

 Mental Health Community Support Services—\$166.3 million, an increase of \$42.2 million (34%) compared to 2020–21.<sup>48</sup>

The 2021–22 Budget responds to the recommendations of the *Royal Commission into Victoria's Mental Health System* and invests \$3.8 billion in mental health services to provide greater clinical care and community support services.<sup>49</sup> The Committee notes that only \$551.4 million in output funding has been allocated in 2021–22.<sup>50</sup> The funding increases over the next four years, with \$1,021.3 million estimated to be spent in 2024–25.<sup>51</sup> Table 3.1 provides a breakdown of the \$3.8 billion funding.

Table 3.1 Funding allocated to Mental Health, 2020–21 to 2024–25

	2020-21	2021-22	2022-23	2023-24	2024-25	Total
	(\$ million)					
Output initiatives	2.4	551.4	820.9	932.2	1,021.3	3,328.2
Asset initiatives	6.4	36.8	200.8	232.2	29.6	505.8
Total						3,834.0

Source: Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, pp. 9, 18 (Committee calculation).

**FINDING 22:** In the 2021–22 Budget, the Department of Health allocates \$3.3 billion in output funding and \$505.8 million in asset funding to mental health initiatives over five years. The Government estimates it will spend \$551.4 million in output funding in the 2021–22 budget year while \$1.0 billion will be spent in 2024–25.

# 3.5.1 Mental health and wellbeing workforce

The 2021–22 Budget allocates \$206.3 million over the next four years to the *Enabling* the mental health and wellbeing workforce to deliver a reformed system output initiative. The Minster for Mental Health explained that this initiative will create 3,000 employment opportunities. By the end of June 2022, more than 1,200 jobs are expected to be created, that is 43% of the estimated 3,000 jobs. These jobs will be in the areas of nursing (603), medical (74), allied health (486) and welfare/peer workers (133). These jobs will be in the areas of nursing (603).

<sup>48</sup> Department of Health, Response to the 2021–22 Budget Estimates General Questionnaire, p. 131; Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 225.

**<sup>49</sup>** Hon James Merlino MP, Minster for Mental Health, 2021–22 Budget estimates (Mental Health) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, p. 1.

<sup>50</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 9.

**<sup>51</sup>** Ibid.

<sup>52</sup> Ibid., p. 8.

<sup>53</sup> Hon James Merlino MP, Minster for Mental Health, *Transcript of evidence*, p. 5.

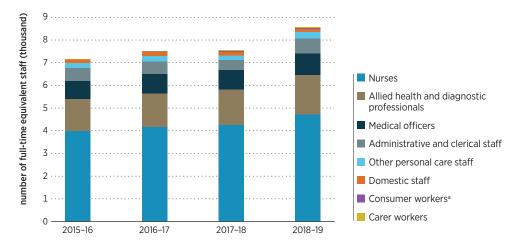
<sup>54</sup> Hon James Merlino MP, Minster for Mental Health, 2021–22 Budget estimates (Mental Health) hearing, Melbourne, 27 May 2021, response to questions on notice, received 28 July 2021, p. 2.

**<sup>55</sup>** Ibid.

The Minister confirmed that by the end of 2021, the Government will develop and implement a statewide mental health workforce strategy. The last strategy was published in 2016, under *Victoria's 10-year mental health plan.* The Committee notes that DH reports to Parliament annually on the performance of Victoria's state funded mental health services. The annual report on Victoria's mental health services monitors and reports outcomes under the 10-year mental health plan. The annual report provides extensive data on mental health services provided by the Government, the mental health workforce in Victoria and the proportion of the population accessing mental health services.

The Mental Health Services Annual Report 2019–20 provides fulltime equivalent (FTE) staff by workforce type for the past five years, however data relating to 2019–20 was not available at the time of the 2019–20 report.<sup>60</sup> The growth in the mental health workforce from 2015–16 to 2018–19 by workforce type is illustrated in Figure 3.2.

Figure 3.2 Full-time equivalent staff by mental health workforce type, 2015–16 to 2018–19



 a. A consumer worker is where the person is specifically employed for the expertise developed from their lived experience of mental illness. Source: Australian Institute of Health and Welfare, Mental health consumer workers, 2018, <a href="https://meteor.aihw.gov.au/content/index.phtml/itemld/450727">https://meteor.aihw.gov.au/content/index.phtml/itemld/450727</a> accessed 5 August 2021.

Source: Department of Health and Human Services, Victoria's Mental Health Services Annual Report 2019-20, Melbourne, October 2020, p. 74.

The Committee referred to data published in April 2021 by the Australian Institute of Health and Welfare which shows that in 2019, FTE psychiatrists per 100,000 population in Victoria was 14.1, higher than New South Wales (12.7) and the national average of 13.7.

<sup>56</sup> Hon James Merlino MP, Minster for Mental Health, *Transcript of evidence*, p. 5.

<sup>57</sup> Victorian State Government, Victoria's 10-year mental health plan, 2020, <a href="https://www2.health.vic.gov.au/mental-health/priorities-and-transformation/mental-health-plan">https://www2.health.vic.gov.au/mental-health/priorities-and-transformation/mental-health-plan</a> accessed 24 July 2021.

<sup>58</sup> Department of Health and Human Services, *Victoria's Mental Health Services Annual Report 2019–20*, Melbourne, October 2020, pp. 54–76.

<sup>59</sup> Department of Health and Human Services, Victoria's Mental Health Services Annual Report 2019-20, pp. 54-76.

<sup>60</sup> The 2019–20 National Health Workforce Data Set was published in April 2021. Source: Department of Health and Human Services, Victoria's Mental Health Services Annual Report 2019–20, p. 74; Australian Institute of Health and Welfare, National Health Workforce Data Set (NHWDS), 13 April 2021, <a href="https://www.aihw.gov.au/about-our-data/our-data-collections/national-health-workforce-dataset">https://www.aihw.gov.au/about-our-data/our-data-collections/national-health-workforce-dataset</a> accessed 6 August 2021.

Similarly, FTE mental health nurses per 100,000 population was 94.7 in Victoria, higher than NSW (84.1) and the national average of 90.2.<sup>61</sup>

**FINDING 23:** In 2019, fulltime equivalent psychiatrists working per 100,000 population was 14.1 and mental health nurses working per 100,000 population was 94.7 in Victoria, both higher than the national average.

**FINDING 24:** The 2021–22 Budget allocates \$206.3 million over the next four years to expand the mental health workforce in Victoria by 3,000 jobs. The Government aims to create 1,200 jobs by June 2022.

## **Rural and regional workforce**

In 2019–20, 33% of the individuals who accessed mental health services were in rural Victoria. According to the 2018 Victorian Population Health Survey, 17.1% of the rural adults surveyed reported they had high or very high psychological distress. This is slightly higher than the 15% of the Victorian adult population surveyed stating they had high or very high psychological distress. 4

The 2021–22 Budget allocates \$13.3 million over the next four years for the output initiative *Supporting the mental health and wellbeing of rural and regional Victorians*.<sup>65</sup> At the hearing, the Minister explained that this in response to the Royal Commission's recommendation to incentivise mental health and wellbeing workers to find employment in rural and regional areas.<sup>66</sup>

This output initiative recognises that there is a shortage of skilled workers in rural and regional Victoria to provide the required mental health services. Limited access to mental health professionals also prevents rural and regional Victorians' access to expertise and opportunities for early support and intervention.<sup>67</sup> Rural and regional Victorians often undertake long commutes to Melbourne to access the support they need.<sup>68</sup>

<sup>61</sup> Australian Institute of Health and Welfare, Mental health services in Australia, 8 July 2021, <a href="https://www.aihw.gov.au/reports/mental-health-services/mental-health-services-in-australia/report-contents/mental-health-workforce">https://www.aihw.gov.au/reports/mental-health-services/mental-health-services-in-australia/report-contents/mental-health-workforce</a> accessed 24 July 2021.

<sup>62</sup> The Victoria's Mental Health Services Annual Report 2019–20 does not specify if this data relates to both rural and regional Victoria. Source: Department of Health and Human Services, Victoria's Mental Health Services Annual Report 2019–20, p. 65.

<sup>63</sup> The 2018 Victorian Population Health Survey (VPHS) reflects the wellbeing of Victorians prior to the coronavirus (COVID-19) pandemic. About every three years, the survey runs a sample size of some 34,000 Victorians. Source: Department of Health and Human Services, Victoria's Mental Health Services Annual Report 2019–20, p. 54.

<sup>64</sup> The Victoria's Mental Health Services Annual Report 2019–20 does not specify if this data relates to both rural and regional Victoria. Source: Department of Health and Human Services, Victoria's Mental Health Services Annual Report 2019–20, p. 55.

<sup>65</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 9 (Committee calculation).

<sup>66</sup> Hon James Merlino MP, Minster for Mental Health, *Transcript of evidence*, pp. 5, 11.

<sup>67</sup> State of Victoria, Royal Commission into Victoria's Mental Health System, Final Report, Volume 3, Promoting inclusion and addressing inequities, February 2021, p. 460.

<sup>68</sup> Hon James Merlino MP, Minster for Mental Health, *Transcript of evidence*, p. 11.

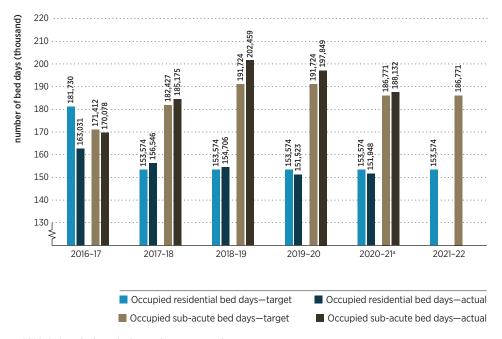
The rural and regional mental health workforce incentive scheme complements the statewide workforce strategy that is to be rolled out later in 2021.<sup>69</sup> However, the number of jobs created in rural and regional Victoria of the total 3,000 new jobs to be created statewide was not explained at the hearing.

**FINDING 25:** In 2019–20, 33% of the individuals who accessed mental health services were in rural Victoria. The 2021–22 Budget allocates \$13.3 million over the next four years to incentivise mental health workers to find employment in rural and regional areas.

#### 3.5.2 Mental health investment and outcomes

At the hearing, it was noted that 'occupied residential bed days' target has remained unchanged since 2017–18 while the 'occupied sub-acute bed days' target was revised down from 191,724 bed days in 2019–20 to 186,771 bed days in 2020–21.<sup>70</sup> This is illustrated in Figure 3.3.

Figure 3.3 Occupied residential bed days and occupied sub-acute bed days, actuals vs targets



a. 2020-21 Actuals shown in the graphs are expected outcomes.

Source: 2018–19 to 2021–22 Budget Paper No. 3 Service Delivery (Committee compilation).

<sup>69</sup> Ibid.

<sup>70 2018–19</sup> to 2021–22 Budget Paper No. 3: Service Delivery (Committee compilation).

Given the significant recent investment in mental health services, the Minister was asked why the sub-acute bed days target was reduced between 2019–20 and 2020–21.<sup>71</sup> The Minister explained the target revision to sub-acute bed days:

Part of the reasoning in terms of decreasing the target has been the investment and the uplift in the [Prevention and Recovery Centres] PARCs and youth PARCs, so that clinical uplift, providing more clinical support in PARCs, has resulted in the services being able to admit clients with higher acuity and therefore increase occupancy.<sup>72</sup>

**FINDING 26:** The 2021–22 Budget allocates \$2.2 billion to the Mental Health Clinical Care output. The \$2.2 billion investment has not been reflected in the output's targets. Targets relating to 'occupied residential bed days' and 'occupied sub-acute bed days' remained unchanged in the 2021–22 Budget.

**RECOMMENDATION 4:** The Department of Health update the relevant Mental Health target to accurately reflect the expected impact of the investment of \$2.2 billion outlined in the 2021–22 Budget.

## **Emergency departments and mental health services**

The Committee's *Report on the 2019–20 financial and performance outcomes* found that the performance measure for 'emergency patients admitted to a mental health bed within eight hours' had not been met for the three consecutive years to 2019–20.<sup>73</sup> The 2021–22 Budget lowers the expected outcome to 54.1% compared to the target of 80% in 2020–21.<sup>74</sup> The budget papers state that this is due to an increasing number of people presenting directly to emergency departments.<sup>75</sup> In response, the Government will create 144 new acute public beds and 35 private beds for public patients.<sup>76</sup>

DH advised the Committee that in 2020–21, about 52% of patients (5,306 people) presenting to Victorian hospital emergency departments waited more than eight hours before being admitted to a mental health bed.<sup>77</sup>

The number of mental health related emergency department presentations have continuously risen in the past five years. This is outlined in Table 3.2.

<sup>71</sup> Mr Danny O'Brien MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Mental Health) hearing, Melbourne, 27 May 2021, Transcript of evidence, p. 3.

<sup>72</sup> Hon James Merlino MP, Minster for Mental Health, *Transcript of evidence*, p. 4.

<sup>73</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2019–20 Financial and Performance Outcomes*, May 2021, p. 32.

<sup>74</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 240.

**<sup>75</sup>** Ibid.

**<sup>76</sup>** Ibid

<sup>77</sup> Professor Euan Wallace, Secretary, Department of Health, 2021–22 Budget estimates (Mental Health) hearing, Melbourne, 18 June 2021, response to questions on notice, received 29 July 2021, p. 3.

# Table 3.2 Mental health related emergency department presentations, 2014–15 to 2019–20

	2014-15	2015-16	2017-18	2018-19	2019-20
Mental health-related emergency department presentations	83,268	87,197	92,610	97,731	100,945

Source: Department of Health and Human Services, *Victoria's Mental Health Services Annual Report 2019–20*, Melbourne, October 2020, p. 65.

At the hearing, the Minister advised that in light of the Royal Commission's recommendations, DH will review its mental health performance measures. A new mental health and wellbeing outcomes framework will be developed by the end of 2022.<sup>78</sup> The Minister further stated that the Government is redrafting the *Mental Health Act 2014* and stated that:

If you have a look at the Act, it is 'seclusion', 'restraint'. It is a complete change of focus—mental health and wellbeing. I do not think our performance measures reflect wellbeing, and the Act certainly does not reflect wellbeing.<sup>79</sup>

**FINDING 27:** The Government will introduce new performance measures and will develop a new mental health and wellbeing outcomes framework by end of 2022. The Government is redrafting the *Mental Health Act 2014* to shift the focus to mental health and wellbeing.

# 3.5.3 Mental health system and alcohol and other drugs

The Minister for Mental Health explained that 'people are forced to navigate two separate systems that treat their interrelated needs separately, and some people are excluded from services due to a co-occurring issue'.<sup>80</sup>

The Royal Commission recommended that 'all future mental health and wellbeing services, including crisis services, community-based and bed-based services, must provide integrated treatment, care and support'.<sup>81</sup> In addressing this recommendation, the Minister outlined that 2021–22 Budget includes \$42.3 million over four years for *Integrated care for people living with mental illness and substance use or addiction* initiative. This is to provide integrated care through statewide services for people with mental health and substance use or addiction. The funding allocation will also increase the number of addiction medicine specialists to support people with complex treatment needs.<sup>82</sup>

The Integrated care for people living with mental illness and substance use or addiction output initiative contributes to the Drug Treatment and Rehabilitation output.<sup>83</sup>

<sup>78</sup> Hon James Merlino MP, Minster for Mental Health, *Transcript of evidence*, p. 6.

<sup>79</sup> Ibid.

<sup>80</sup> Ibid.

<sup>81</sup> Ibid

<sup>82</sup> Ibid.

<sup>83</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 11.

The Committee notes that there are no new performance measures to evaluate the outcomes of this initiative including how many additional addiction medicine specialist roles will be created over the next four years.

**FINDING 28:** Recognising that mental illness and substance use or addiction are often co-occurring experiences, the 2021–22 Budget allocates \$42.3 million over four years to the *Integrated care for people living with mental illness and substance use or addiction* initiative.

**FINDING 29:** The 2021–22 Budget does not contain any new performance measures for the initiative *Integrated care for people living with mental illness and substance use or addiction.* 

### **3.5.4** Mental health services for diverse communities

The 2021–22 Budget allocates \$26.2 million over the next four years to the initiative Working in partnerships to improve accessibility for diverse communities.<sup>84</sup> Funding will be provided to community organisations and peak bodies to engage in the mental health reform process and support communities to navigate the mental health and wellbeing system.<sup>85</sup> The output initiative is designed to improve the accessibility of mental health support for diverse communities, including Victorians from diverse cultural backgrounds, the LGBTIQ+ community and people with a disability.<sup>86</sup>

The latest data shows that 13.8% of the Victorian adult population who speak a language other than English at home have high or very high psychological distress. 22.1% of Victorian adult population who identify as LGBTI<sup>87</sup> have high or very high psychological distress.<sup>88</sup>

The 2021–22 Budget allocates \$116.2 million over the next four years to support Aboriginal social and emotional wellbeing.<sup>89</sup> This funding will establish an Aboriginal social and emotional wellbeing centre of excellence as well as provide funding to Aboriginal Community Controlled Health Organisations (ACCHOs). ACCHOs will deliver culturally appropriate social and emotional wellbeing services for children and young people.<sup>90</sup>

The Committee notes that one of the outcomes recognised in Victoria's Mental Health Services Annual Report is to reduce the gap regarding mental health and wellbeing for

<sup>84</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 9 (Committee calculation).

<sup>85</sup> Ibid., p. 17.

<sup>86</sup> Hon James Merlino MP, Minster for Mental Health, *Transcript of evidence*, p. 2.

<sup>87</sup> As indicated by the Victoria's Mental Health Services Annual Report 2019-20.

<sup>88</sup> Department of Health and Human Services, Victoria's Mental Health Services Annual Report 2019–20, p. 55.

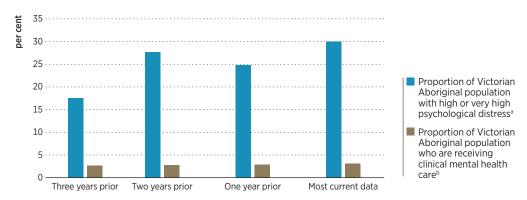
<sup>89</sup> Hon James Merlino MP, 2021–22 Budget estimates hearings presentation: Mental Health, supplementary evidence received 27 May 2021, p. 9.

<sup>90</sup> Hon James Merlino MP, Minster for Mental Health, *Transcript of evidence*, p. 5; Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 15.

Aboriginal Victorians.<sup>91</sup> The latest data shows that Aboriginal Victorians continue to be over-represented in clinical mental health services, even though Aboriginal Victorians represent 0.7% of the Victorian population. The *Victoria's Mental Health Services Annual Report 2019–20* indicated that the proportion of adults with high or very high levels of psychological distress in the Aboriginal subpopulation was 30.3%, significantly higher than the proportion in all adults. 3.1% of Victorian Aboriginal population received clinical mental health care.<sup>92</sup>

The data also shows that the proportion of the Aboriginal population receiving clinical mental health care has been trending upward over the past five years.<sup>93</sup> This is illustrated in Figure 3.4.





- a. Proportion of Victorian Aboriginal population with high or very high psychological distress (2018).
- b. Proportion of Victorian Aboriginal population who are receiving clinical mental health care (2019-20).

Note: Data presented in this figure should be used with caution. Refer to *Victoria's Mental Health Services Annual Report 2019–20* for more information on data collection.

Source: Department of Health and Human Services, *Victoria's Mental Health Services Annual Report 2019–20*, Melbourne, October 2020, p. 56.

**FINDING 30:** Aboriginal Victorians continue to be over-represented in clinical mental health services. The 2021–22 Budget allocates \$116.2 million over the next four years to support the social and emotional wellbeing of Aboriginal communities.

# 3.6 Ambulance Services portfolio: key issue

The Minister for Ambulance Services is responsible for two outputs: Ambulance Emergency Services (\$1.2 billion in 2021–22) and Ambulance Non-emergency Services (\$196.9 million in 2021–22).<sup>94</sup> Compared to 2020–21, 2021–22 output funding for the two outputs has increased by \$83.6 million (7.7%) and \$42.2 million (18.6%) respectively.<sup>95</sup>

<sup>91</sup> Department of Health and Human Services, Victoria's Mental Health Services Annual Report 2019-20, p. 56.

<sup>92</sup> Ibid., pp. 54, 56.

<sup>93</sup> Ibid., p. 56

<sup>94</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 225.

<sup>95</sup> Ibid

The 2021–22 Budget introduces two new output initiatives. Table 3.3 shows the funding profile of the new initiatives.

**Table 3.3** Output initiatives for Ambulance Services, 2021–22 Budget

	2021-22	2022-23	2023-24	2024-25	Total
	(\$ million)				
Ambulance demand	188.5	25.3	25.9	26.6	266.3
Ambulance Victoria sustainability	53.7	48.3	50.7	51.6	204.3
Total					\$470.6

Source: Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, p. 59.

At the hearing, the Minister outlined that under the *Ambulance demand* initiative, \$102 million is allocated to increase Ambulance Victoria's capacity to respond to a growing and ageing population and increasing services, \$160 million for improvement projects, increased on-road presence and triage resources and \$2.6 million is for the next tranche of ambulance station builds, including in regional growth areas such as Armstrong Creek and Marong.<sup>96</sup>

**FINDING 31:** The 2021–22 Budget allocates \$470.6 million over the next four years to initiatives that improve ambulance services in Victoria.

## **3.6.1** Ambulance Victoria's response times

The Committee notes that Ambulance Victoria's target of responding to Code 1 incidents within 15 minutes for 85% of incidents statewide has continued to decline since the start of the COVID-19 pandemic in March 2020. During the January-March 2020 quarter, Ambulance Victoria responded to 81.8% of Code 1 emergency calls within 15 minutes.<sup>97</sup> This is compared to the third quarter of 2020–21 where Ambulance Victoria's response time fell to 75.1%.<sup>98</sup> Similar to the increased demand for community-based healthcare, Ambulance Victoria's workload significantly increased when COVID-19 restrictions eased in Victoria in response to people who had delayed medical treatment during the lockdown.<sup>99</sup>

Hon Martin Foley MP, Minster for Ambulance Services, 2021–22 Budget estimates (Ambulance Services) hearing, Melbourne, 18 June 2021, *Transcript of evidence*, p. 2; Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 62.

<sup>97</sup> Ambulance Victoria's Performance, 2019/20 Quarter 3 (1st January 2020 to 31 March 2021), <a href="https://www.ambulance.vic.gov.au/wp-content/uploads/2020/05/latest-performance-data.pdf">https://www.ambulance.vic.gov.au/wp-content/uploads/2020/05/latest-performance-data.pdf</a> accessed 26 July 2021.

<sup>98</sup> Ambulance Victoria's Performance, 2020/21 Quarter 3 (1st January 2021 to 31 March 2021).

<sup>99</sup> Ambulance Victoria, New year, new resources bolstering care and coverage, 29 January 2021,
<a href="https://www.ambulance.vic.gov.au/new-year-new-resources-bolstering-care-and-coverage">https://www.ambulance.vic.gov.au/new-year-new-resources-bolstering-care-and-coverage</a> accessed 5 August 2021;
Hon Martin Foley MP, Minster for Health, Transcript of evidence, pp. 2, 28.

The Committee notes that some patients with less urgent medical conditions have shifted to using taxis for transportation to hospital. According to Ambulance Victoria:

Ambulance Victoria does not arrange taxis for patients in medical emergencies or whose conditions require supervision.

This clinically appropriate response increases the availability of ambulances to respond to emergencies in the community.

In 2020–21 year to date, 9651 cases have appropriately and safely avoided ambulance dispatch through the use of taxis. 100

In addition, Ambulance Victoria reportedly added an extra 4,410 shifts in the metropolitan region during the first half of the 2021 calendar year.<sup>101</sup> In 2019–20 Ambulance Victoria reported 5,313 fulltime equivalent staff,<sup>102</sup> however the annual report did not outline the number of shifts undertaken for the year which would provide context for the 4,410 additional shifts.

**FINDING 32:** Ambulance Victoria's response time for Code 1 incidents was 75.1% in the third quarter of 2020–21, below the benchmark of 85%. This is due to people delaying medical treatment during the COVID-19 lockdowns.

**FINDING 33:** Ambulance Victoria has added 4,410 shifts in the metropolitan region during the first half of the 2021 calendar year.

# **3.7** Performance measures

## 3.7.1 Department wide: analysis of new performance measures

DH added 10 new performance measures in the 2021–22 Budget, eight of which replaced discontinued measures. <sup>103</sup> Two new performance measures are introduced to measure the outcomes of initiatives funded in the 2021–22 Budget. <sup>104</sup> One measure was found to have weaknesses limiting its usefulness (Table 3.4).

<sup>100</sup> Associate Professor Tony Walker, Chief Executive Officer, Ambulance Victoria, 2021–22 Budget estimates (Ambulance Services) hearing, Melbourne, 18 June 2021, response to questions on notice, received 6 July 2021, p. 3.

<sup>101</sup> Ibid., p. 4.

<sup>102</sup> Ambulance Victoria, 2019-20 Annual Report, Melbourne, 2020, p. 46.

<sup>103</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 393; Department of Health, Response to the 2021–22 Budget Estimates Questionnaire, pp. 85–90.

<sup>104</sup> Department of Health, Response to the 2021-22 Budget Estimates Questionnaire, pp. 85-90.

Table 3.4 Issues with the new performance measure (2021–22)

Output	New performance measure	Issues identified by PAEC
Acute Training and Development (Quantity)	Health workers trained in information sharing and family violence risk assessment and risk management	The Committee supports the introduction of the performance measure, which directly measures outcomes for the initiative <i>Information sharing and family violence risk assessment and management reform,</i> funded in the 2021–22 Budget.
	However there are notable weaknesses associated with the measure. Training is to be undertaken for organisations to meet legislated obligations. The utility of the measure is limited as it only measures the number of health workers trained each year. Performance information would be improved by including a measure that demonstrates how many health workers have completed the training as a proportion of all workers who are required to undertake it, or are funded to undertake it.	
	DH also notes a shortcoming of the measure is that as the scope of health workers to be trained is broad, targets have been developed as an indicative measure of likely annual training numbers.	

Source: Department of Health, Response to the 2021-22 Budget Estimates Questionnaire, received 16 June 2021, pp. 88–89; Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, pp. 50, 232.

# **3.7.2** Department wide: analysis of proposed discontinued performance measures

DH identified nine performance measures for discontinuation in the 2021–22 Budget.<sup>105</sup> The Committee supports the discontinuation of all nine measures.<sup>106</sup>

The Committee notes that five discontinued measures under the Admitted Services output relating to unplanned readmission to hospital related to specific medical issues will be replaced with new measures. The new measures will include readmissions that were previously out of scope.<sup>107</sup>

**FINDING 34:** The Department of Health proposed nine performance measures for discontinuation in 2021–22. The Committee supports the discontinuation of these measures.

<sup>105</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 393.

<sup>106</sup> Ibid.; Department of Health, Response to the 2021–22 Budget Estimates Questionnaire, pp. 89–90.

<sup>107</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 228–229, 393.

# 4 Department of Education and Training

# 4.1 Overview

The Department of Education and Training (DET) supports the ministerial portfolios of Early Childhood, Education, Higher Education, and Training and Skills. DET's statement of strategic intent is: 'Together we give every Victorian the best learning and development experience, making our state a smarter, fairer and more prosperous place'.<sup>1</sup>

DET has four departmental objectives:

- raise standards of learning and development achieved by Victorians using education, training, and early childhood development services
- increase the number of Victorians actively participating in education, training, and early childhood development services
- increase the contribution education, training, and early childhood development services make to good health and quality of life for all Victorians, particularly children and young people
- increase the productivity of DET services.<sup>2</sup>

# **4.2** Financial analysis

In 2021–22 DET has the second largest budget of all Victorian Government departments, representing 23% of total government output.<sup>3</sup>

In 2021–22 DET is allocated \$15.9 billion to fund its outputs, an increase of \$926.1 million (6.2%) compared to the 2020–21 Budget.<sup>4</sup>

DET's output appropriations are budgeted as \$15.1 billion, an increase of \$846 million (5.9%) compared to the 2020–21 Budget.<sup>5</sup> The variation is due to new funding initiatives and increases to year-on-year funding for initiatives announced in prior State budgets.<sup>6</sup>

Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, p. 147.

<sup>2</sup> Ibid

<sup>3</sup> Ibid., p. 148 (Committee calculation).

<sup>4</sup> Ibid

<sup>5</sup> Department of Education and Training, Response to the 2021–22 Budget Estimates General Questionnaire, received 21 May 2021, pp. 19–20 (Committee calculation).

<sup>6</sup> Ibid

DET's income from the sale of goods and services is budgeted to increase by 25.6%, from \$694 million in the 2020–21 Budget to \$872 million in the 2021–22 Budget.<sup>7</sup> DET advised this variance is explained by a forecast increase in Technical and Further Education (TAFE) fees for services, which were impacted by the COVID-19 pandemic but are expected to increase in 2021–22 based on a return to a similar level of economic activity to 2019–20.8

In 2021–22 DET has a total savings target of \$31.9 million, which makes up 15.9% of the \$200.4 million departmental efficiencies outlined in the 2021–22 Budget.<sup>9</sup> There is no expected impact on service delivery or frontline staffing levels. DET advised most efficiencies will be applied to corporate areas and procurement, including improving procurement processes.<sup>10</sup>

In 2021–22 DET's capital program consists of \$1.6 billion in new projects and \$4.9 billion in existing projects, representing 9.1% of the total general government capital program.<sup>11</sup> DET's new capital projects also represent 32.4% of all new projects in the general government capital program in the 2021–22 Budget.<sup>12</sup> DET's new capital projects are discussed further in Section 4.3.

# 4.3 New capital spend in the 2021-22 Budget

DET's 2021–22 Budget includes \$1.6 billion in asset funding for several education infrastructure initiatives including:

- Land acquisition for 14 future school sites in several municipalities—total estimated investment (TEI): \$276.4 million.
- New school construction to build 13 new schools in 2023 and 2024 in high enrolment-growth areas—TEI: \$491.6 million.
- School upgrades for 52 schools—TEI: \$340 million.<sup>13</sup>

DET advised the Committee that the capital investment in the 2021–22 Budget will support the economic recovery of Victoria during the COVID-19 pandemic. The Minister for Education added that the investment would create 2,900 jobs in metropolitan Melbourne, 615 jobs in regional Victoria and would support 20,800 extra school places for students.<sup>14</sup>

<sup>7</sup> Ibid. (Committee calculation).

<sup>8</sup> Ibid

<sup>9</sup> Ibid., pp. 57-58; Department of Treasury and Finance, Budget Paper No. 3: 2021-22, pp. 102, 142.

<sup>10</sup> Department of Education and Training, Response to the 2021–22 Budget Estimates General Questionnaire, pp. 57–58; Ms Jenny Atta, PSM, Secretary, Department of Education and Training, 2021–22 Budget Estimates (Education) hearing, Melbourne, 27 May 2021, Transcript of evidence, p. 10.

<sup>11</sup> Department of Treasury and Finance, Budget Paper No. 4: 2021-22 State Capital Program, Melbourne, 2021, p. 26 (Committee calculation).

<sup>12</sup> Ibid. (Committee calculation).

<sup>13</sup> Hon James Merlino MP, Minister for Education, 2021–22 Budget Estimates (Education) hearing, Melbourne, 27 May 2021, Transcript of evidence, pp. 3, 19; Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 30–34.

<sup>14</sup> Department of Education and Training, Response to the 2021-22 Budget Estimates General Questionnaire, pp. 13–14; Hon James Merlino MP, Minister for Education, Transcript of evidence, p. 2.

During the hearing the Committee asked the Minister for Education how decisions were made regarding capital investment, including how the department determined which schools would receive upgrades and where new schools would be located. The Minister advised that funding for school upgrades are assessed through three metrics: enrolment growth, condition and functionality, which is informed by evaluations undertaken by the Victorian School Building Authority (VSBA). The Minister advised new schools are delivered where there is enrolment growth.

New schools and school upgrades funded in 2021–22 will primarily be delivered in metropolitan Melbourne. Of the 52 schools to be upgraded, 35 are in Melbourne and 17 are in regional Victoria. One site will be acquired through land acquisition funding in regional Victoria.<sup>17</sup>

The Minister explained that no new schools are to be built in regional Victoria as part of the 2021–22 Budget because 'new schools are delivered where there is enrolment growth'.<sup>18</sup>

**FINDING 35:** Of the new schools and school upgrades to be delivered as part of the Department of Education and Training's 2021–22 Budget, based on enrolment growth, condition and functionality, most are located in metropolitan Melbourne. In regional Victoria, 17 schools will be upgraded.

The growth in student numbers for each Victorian Local Government Area (LGA) from 2010 to 2020 and location of each new school and school upgrade included in the 2021–22 Budget are illustrated in Figures 4.1 and 4.2. These figures show metropolitan LGAs have had the largest enrolment growth over the last 10 years, with the most growth witnessed in Melton, Wyndham, Hume, Casey and Whittlesea City Councils. A majority of the new schools construction included in the 2021–22 Budget will be located in these areas. Page 10 of 10

However, the regional councils of Shepparton, Ballarat and Geelong have also experienced a high level of enrolment growth over the last 10 years.<sup>21</sup> The 2021–22 Budget includes one school upgrade in Ballarat.<sup>22</sup>

<sup>15</sup> Hon James Merlino MP, Minister for Education, *Transcript of evidence*, pp. 18–19.

**<sup>16</sup>** Ibid., p. 19.

<sup>17</sup> Ibid., pp. 3, 19; Department of Treasury and Finance, 2021-22 Budget Overview, Melbourne, 2021, pp. 39-41.

<sup>18</sup> Hon James Merlino MP, Minister for Education, *Transcript of evidence*, p. 19.

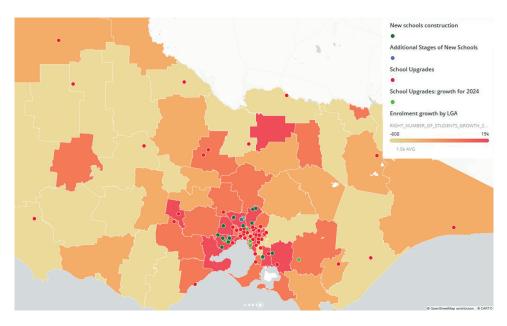
<sup>19</sup> Australian Curriculum, Assessment and Reporting Authority, School Profile 2008–2020, 2021, <a href="https://www.acara.edu.au/contact-us/acara-data-access">https://www.acara.edu.au/contact-us/acara-data-access</a> accessed 16 June 2021; Australian Curriculum, Assessment and Reporting Authority, School Location 2020, 2021, <a href="https://www.acara.edu.au/contact-us/acara-data-access">https://www.acara.edu.au/contact-us/acara-data-access</a> accessed 16 June 2021 (Committee calculation).

<sup>20</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, pp. 30-33.

<sup>21</sup> Australian Curriculum, Assessment and Reporting Authority, *School Profile 2008–2020*; Australian Curriculum, Assessment and Reporting Authority, *School Location 2020*, (Committee calculation).

<sup>22</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 30–33.

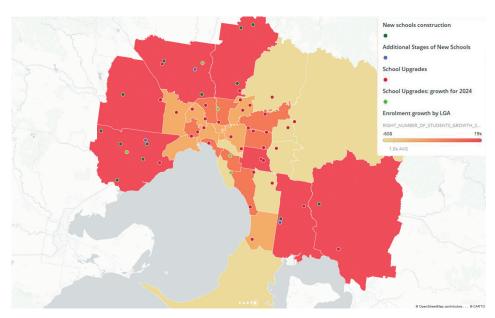
Figure 4.1 Enrolment growth by number of students in each Victorian Local Government Area—2010–2020



Note: Most of the new schools announced in the 2021–22 Budget do not yet have determined locations. The locations on the map for new schools construction reflect the Local Government Area in which the schools will be built, but not the final location.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery,* Melbourne, 2021, pp. 30–33; Australian Curriculum, Assessment and Reporting Authority, *School Profile 2008–2020,* 2021, <a href="https://www.acara.edu.au/contact-us/acara-data-access">https://www.acara.edu.au/contact-us/acara-data-access</a> accessed 16 June 2021; Australian Curriculum, Assessment and Reporting Authority, *School Location 2020,* 2021, <a href="https://www.acara.edu.au/contact-us/acara-data-access">https://www.acara.edu.au/contact-us/acara-data-access</a> accessed 16 June 2021 (Committee calculation).

Figure 4.2 Enrolment growth by number of students in each Victorian Local Government Area—Metropolitan Melbourne only—2010–2020



Note: Most of the new schools announced in the 2021–22 Budget do not yet have determined locations. The locations on the map for new schools construction reflect the Local Government Area in which the schools will be built, but not the final location.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery*; Melbourne, 2021, pp. 30–33; Australian Curriculum, Assessment and Reporting Authority, *School Profile 2008–2020*, 2021, <a href="https://www.acara.edu.au/contact-us/acara-data-access">https://www.acara.edu.au/contact-us/acara-data-access</a> accessed 16 June 2021; Australian Curriculum, Assessment and Reporting Authority, *School Location 2020*, 2021, <a href="https://www.acara.edu.au/contact-us/acara-data-access">https://www.acara.edu.au/contact-us/acara-data-access</a> accessed 16 June 2021 (Committee calculation).

While DET has developed metrics for identifying the need for new schools and school upgrades which is supported by planning and forward forecasting, <sup>23</sup> much of this information is not publicly available. In 2017, in response to the Victorian Infrastructure Plan, the Government agreed to publish 'demand and condition information annually to provide transparency about how investment priorities are made for new and existing schools.'<sup>24</sup> This is yet to be completed.

In its 2018–19 Budget Estimates report the Committee recommended that the planning data that underpins the demonstrated need for each new school be included and regularly updated on the VSBA website.<sup>25</sup> The Government supported this recommendation in principle, stating that it publishes a range of statistics and data on Victorian schools on its website, including student enrolments that support DET's planning.<sup>26</sup> However, it does not publish the data outlined in the Committee's recommendation.

**FINDING 36:** The Department of Education and Training publishes enrolment data on its website, but does not publish planning data regarding the need for new schools and school upgrades.

**RECOMMENDATION 5:** The Victorian School Building Authority publish available planning data regarding the need for new schools and school upgrades on its website and update this data regularly.

# 4.4 Education portfolio: key issues

The Minister for Education is responsible for five outputs with a total output funding of \$12.3 billion in 2021–22.<sup>27</sup> This is illustrated in Figure 4.3.

<sup>23</sup> Ms Jenny Atta, PSM, Secretary, Department of Education and Training, Parliamentary Inquiry into Managing School Infrastructure presentation, supplementary evidence, received 10 March 2020, p. 13; Victorian Auditor-General's Office, Managing School Infrastructure, Melbourne, 2017, p. x.

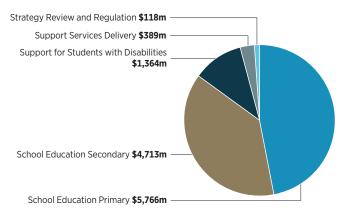
<sup>24</sup> Department of Premier and Cabinet, Victorian Infrastructure Plan, Melbourne, 2017, p. 152.

<sup>25</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, September 2018, p. 95.

<sup>26</sup> Government of Victoria, Response to the Parliament of Victoria, Public Accounts and Estimates Committee, 2018–19 Budget Estimates Report, 5 March 2019, p. 5.

<sup>27</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 148 (Committee calculation).

Figure 4.3 Education portfolio—funding by output, 2021–22



Source: Department of Education, Response to the 2021–22 Budget Estimates General Questionnaire, received 21 May 2021, p. 90; Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, p. 148

The key issues relevant to the Education portfolio identified during the Committee's budget estimates inquiry are discussed below.

# 4.4.1 Ongoing response to COVID-19 in education settings

In a number of previous reports the Committee has discussed the Government's response to the COVID-19 pandemic in educational settings and the impact this response has had on student educational outcomes and wellbeing in Victoria.<sup>28</sup> The Committee has found the implementation of remote and flexible learning across the State had a significant impact on access to schooling, education outcomes and student mental health and wellbeing.<sup>29</sup>

The impacts of remote learning are expected to be ongoing, especially in the areas of student mental health and wellbeing and educational outcomes.<sup>30</sup> Further, the Government has suggested periods of remote learning may be necessary in the future.<sup>31</sup> This was evidenced by the lockdowns enacted from 28 May to 11 June and from 16 June to 27 July 2021, during which most Victorian students undertook remote learning.<sup>32</sup>

The 2021–22 Budget does not contain any new spending or initiatives specifically related to the COVID-19 pandemic or the impact of remote and flexible learning on students, their teachers and their families.<sup>33</sup>

Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the Victorian Government's Response to the COVID-19 Pandemic*, February 2021, pp. 205–247; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2019–20 Financial and Performance Outcomes*, May 2021, p. 46.

<sup>29</sup> Parliament of Victoria, Public Accounts and Estimates Committee, Inquiry into the Victorian Government's Response to the COVID-19 Pandemic, pp. 216–233.

<sup>30</sup> Ibid., pp. 225–227; Hon James Merlino MP, Minister for Education, *Transcript of evidence*, pp. 4, 15.

<sup>31</sup> Hon James Merlino MP, Minister for Education, *Transcript of evidence*, pp. 4–5.

<sup>32</sup> Hon James Merlino MP, Statement from the Acting Premier, media release, 27 May 2021; Hon James Merlino MP, Statement from the Acting Premier, media release, 2 June 2021; Hon James Merlino MP, Statement from the Acting Premier, media release, 9 June 2021; Victorian Government, New Restrictions for Victorian Schools, 16 July 2021, <a href="https://www.coronavirus.vic.gov.au/current-covidsafe-settings-victorian-schools">https://www.coronavirus.vic.gov.au/current-covidsafe-settings-victorian-schools</a> accessed 16 July 2021.

<sup>33</sup> Department of Education and Training, Response to the 2021–22 Budget Estimates General Questionnaire, p. 21.

In the departmental questionnaire, when asked to outline the top strategic issues influencing the department's budget estimates, DET listed 'addressing interrupted school-based learning' and 'keeping schools open and safe' in 2020–21. In 2021–22 the top issues were 'contributing to support economic recovery' and 'mental health of students'.<sup>34</sup> While the future impacts of the pandemic on the education sector are uncertain, this is not reflected in the 2021–22 Budget. As a result the ability of the department to rapidly fund future responses to the pandemic may rely on contingency funds such as Treasurer's Advances.

During the hearing the Committee discussed the circuit breaker lockdown, the reasons for remote learning across Victoria and how this would impact students. The Committee asked the Minister for Education why regional schools were also subject to remote learning, when most known outbreaks were associated with areas in metropolitan Melbourne.<sup>35</sup> During the hearing it was noted that the Murdoch Children's Research Institute has advocated for schools closing as a last resort measure and for a remote learning system based on the geographical area of outbreaks, rather than school closures for the whole State.<sup>36</sup>

The Minister responded that the decision to move to remote learning for the circuit breaker lockdown was made based on public health advice.<sup>37</sup> When detailing what support would be available to students during and post-lockdowns, the Minister outlined the *Tutors deployed to bring students up to speed* program funded in the 2020–21 Budget and the mental health reforms in the 2021–22 Budget (discussed further in Section 4.4.2).<sup>38</sup> It is unclear whether students would have access to tutors during the period of lockdown. Further, the mental health reforms in the 2021–22 Budget will not be available to students in the short-term, as the rollout will begin in 2022, with \$9.5 million allocated in 2021–22.<sup>39</sup> The Victorian Government has initiated a number of mental health and wellbeing supports for students during the COVID-19 pandemic, but it is unknown whether such supports will continue to meet demand across 2021–22.<sup>40</sup>

<sup>34</sup> Ibid., pp. 14-15; Department of Education and Training, Response to the 2020-21 Budget Estimates General Questionnaire, pp. 12-13.

<sup>35</sup> Mr Richard Riordan MP, Public Accounts and Estimates Committee, 2021–22 Budget Estimates (Education) hearing, Melbourne, 27 May 2021, Transcript of evidence, p. 3; Department of Health, COVID-19 Chief Health Officer Update, 11 June 2021, <a href="https://www.dhhs.vic.gov.au/covid-19-chief-health-officer-update#update-outbreaks">https://www.dhhs.vic.gov.au/covid-19-chief-health-officer-update#update-outbreaks</a> accessed 11 June 2021.

<sup>36</sup> Murdoch Children's Research Institute, COVID-19 in Victorian ECEC and Schools: An analysis of COVID-19 in ECEC and schools and evidence-based recommendations for opening ECEC and schools & keeping them open, Melbourne, 2020, p. 13; Fiona Russell et.al., 'We can't close schools every time there's a COVID outbreak. Our traffic light system shows what to do instead', The Conversation, 31 March 2021, <a href="https://theconversation.com/we-cant-close-schools-every-time-theres-a-covid-outbreak-our-traffic-light-system-shows-what-to-do-instead-158214">https://theconversation.com/we-cant-close-schools-every-time-theres-a-covid-outbreak-our-traffic-light-system-shows-what-to-do-instead-158214</a> 9 July 2021; Mr Richard Riordan MP, Transcript of evidence, p. 3.

<sup>37</sup> Hon James Merlino MP, Minister for Education, *Transcript of evidence*, p. 4.

<sup>38</sup> Ibid., pp. 3, 15.

<sup>39</sup> Ibid., pp. 6-7; Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 8.

<sup>40</sup> Government of Victoria, Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Inquiry into the Victorian Government's Response to the COVID-19 Pandemic Interim Report, 3 March 2021, p. 16; Parliament of Victoria, Public Accounts and Estimates Committee, Inquiry into the Victorian Government's Response to the COVID-19 Pandemic, pp. 225–226.

**RECOMMENDATION 6:** The Department of Education and Training undertake an evaluation of the mental health and wellbeing supports offered to students during the COVID-19 pandemic to ensure support is effective and sufficient.

**RECOMMENDATION 7:** The Department of Education and Training undertake an evaluation of the tutoring program offered to students during the COVID-19 pandemic to ensure support is effective and sufficient.

## **4.4.2** Mental health reform

A key area of DET's new funding in the 2021–22 Budget consists of \$217.8 million over four years for mental health reform in education.<sup>41</sup> This funding responds directly to recommendation 17 of the Royal Commission into Victoria's Mental Health System and will consist of:

- \$200.6 million for the School Mental Health Fund and
- the expansion of the Mental Health in Primary Schools pilot from 26 schools to 100 schools.<sup>42</sup> Through the initiative, schools receive support through a mental health and wellbeing lead who implements a whole of school approach to mental health and wellbeing.<sup>43</sup>

The Minister for Education told the Committee how the *School Mental Health Fund* would be created and what it would offer schools and students. Based on the School Readiness Funding for kindergartens, the fund will allow schools to purchase mental health and wellbeing interventions that are evidence-based and meet the needs of schools and students.<sup>44</sup> Schools will be able to choose from whole of school supports and targeted supports to individual students, delivered by mental health practitioners.<sup>45</sup> The Minister provided examples of the type of initiatives and programs that may be included under the fund, such as mental health first aid training for staff and students, programs to support trauma informed practice, therapeutic programs such as the therapy dog program and cultural awareness training for staff to support Aboriginal students.<sup>46</sup> The *School Mental Health Fund* will be rolled out to rural and regional schools in 2022 and progressively in 2023 and 2024 across Victoria.<sup>47</sup>

The Minister advised that the initiative would support approximately 1,040 new jobs for mental health and wellbeing professionals.<sup>48</sup> The Committee asked the Minister how

<sup>41</sup> Hon James Merlino MP, Minister for Education, *Transcript of evidence*, p. 2; Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 8.

<sup>42</sup> Hon James Merlino MP, Minister for Education, Transcript of evidence, pp. 6-7, 13.

<sup>43</sup> Ibid., p. 13.

<sup>44</sup> Ibid., pp. 6-8.

**<sup>45</sup>** Ibid., pp. 7-8.

<sup>46</sup> Ibid., p. 8.

<sup>47</sup> Ibid., pp. 6-7.

**<sup>48</sup>** Ibid., p. 7.

such professionals would be sourced, especially in regional areas where there is a lack of individuals with the required experience.<sup>49</sup> The Minister advised staffing was an area of focus and a workforce strategy for mental health reform would be completed by the end of 2021 in line with the recommendations of the Royal Commission. No specific policies or strategies for the education sector were outlined by the Minister.<sup>50</sup>

**RECOMMENDATION 8:** The mental health reform workforce strategy directly address the demand driven by the *School Mental Health Fund*.

# **4.5** Training and Skills and Higher Education portfolios: key issue

The Minister for Training and Skills and the Minister for Higher Education share responsibility for a single output: Training, Higher Education and Workforce Development (funding in 2021–22: \$2.6 billion).<sup>51</sup>

# **4.5.1** Financial position of Victoria's universities

#### Mental health and wellbeing levy

As discussed in Chapter 2 the 2021–22 Budget includes a Mental Health and Wellbeing Levy (the levy) to pay for the Victorian Government's mental health reforms. The levy is a payroll tax surcharge that will apply to wages paid in Victoria by businesses with national payrolls over \$10 million per year and will be applicable starting 1 January 2022.<sup>52</sup>

The levy was discussed during the Training and Skills and Higher Education and Treasurer's portfolio hearings, in the context of the impact the levy would have on Victoria's universities.<sup>53</sup> It is estimated that in total Victoria's universities will pay \$50 million more a year in payroll tax.<sup>54</sup> Individually, the University of Melbourne and Monash University are estimated to pay \$12 million more per year, while universities with smaller payrolls such as La Trobe, Swinburne and Victoria Universities will pay between \$2–3 million more.<sup>55</sup>

**<sup>49</sup>** Mr Danny O'Brien MP, Public Accounts and Estimates Committee, 2021–22 Budget Estimates (Education) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, p. 11.

<sup>50</sup> Hon James Merlino MP, Minister for Education, *Transcript of evidence*, p. 11.

<sup>51</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 148; Department of Education and Training, *Response to the 2021–22 Budget Estimates General Questionnaire*, p. 99.

<sup>52</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 20.

<sup>53</sup> Hon Gayle Tierney MLC, Minister for Training and Skills & Higher Education, 2021–22 Budget Estimates (Training and Skills & Higher Education) hearing, Melbourne, 21 June 2021, *Transcript of evidence*, p. 8; Mr Tim Pallas MP, Treasurer, 2021–22 Budget Estimates (Treasurer) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, pp. 24–25.

<sup>54</sup> Mr Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 24.

<sup>55</sup> Adam Carey, Cara Waters and Sumeyya llanbey, 'Struggling universities hit out at payroll tax blow' *The Age*, 21 May 2021, <a href="https://www.smh.com.au/business/the-economy/struggling-universities-hit-out-at-payroll-tax-blow-20210521-p57u1t.html">https://www.smh.com.au/business/the-economy/struggling-universities-hit-out-at-payroll-tax-blow-20210521-p57u1t.html</a> accessed 28 June 2021.

The financial position of each of Victoria's universities has been severely impacted by the COVID-19 pandemic and the subsequent reduction in international students and international student revenue.<sup>56</sup> The Australian Bureau of Statistics reports arrivals of international students have decreased by over 99% between April 2019 and April 2021.<sup>57</sup> Three Victorian universities—RMIT, La Trobe and Swinburne—recorded deficits for 2020.<sup>58</sup> The financial impacts of the pandemic on Victoria's universities are expected to be ongoing in 2021.<sup>59</sup>

The Treasurer provided further information regarding the levy and its impacts on universities, stating:

What I have said to the vice-chancellors of the universities is the government stands prepared to have a discussion with them about how we can continue to assist them through what will be substantial ongoing ravages of the pandemic. They will particularly be one of the more directly hit industries, as you would accept, and we are in discussions about what we can do not to dilute the focus and the consistency of the mental health levy but what we can do to assist them...<sup>60</sup>

The 2021–22 Budget does not provide financial support for Victorian universities.

**FINDING 37:** As part of the Mental Health and Wellbeing Levy, Victorian universities are expected to pay a combined \$50 million of additional payroll tax. All Victorian universities have experienced financial impacts as a result of the COVID-19 pandemic, with three recording a deficit in 2020.

During the estimates hearings the Committee asked the Minister for Higher Education how Victorian universities would continue to be supported, considering the impact of the pandemic and further financial cost of the levy.<sup>61</sup> The Minister advised she had been advocating for further support for universities at the Federal level and advised the payroll tax deferrals for universities totalling \$130 million in 2020–21 had also provided support.<sup>62</sup>

The deferral of the 2020–21 payroll tax until 2022–23 was intended to provide immediate financial relief to universities due to the downturn in international students.<sup>63</sup>

<sup>56</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the Victorian Government's Response to the COVID-19 Pandemic*, p. 246.

<sup>57</sup> Australian Bureau of Statistics, Overseas Arrivals and Departures, Australia, April 2021, <a href="https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/latest-release#arrivals-international-students">https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/latest-release#arrivals-international-students</a> accessed 28 June 2021.

<sup>58</sup> Adam Carey and Michael Fowler, 'RMIT, Swinburne, La Trobe post hefty deficits but not all unis in the red', *The Age*, 4 May 2021, <a href="https://www.smh.com.au/national/victoria/rmit-swinburne-la-trobe-post-hefty-deficits-but-not-all-unis-in-the-red-20210504-p57oya.html">https://www.smh.com.au/national/victoria/rmit-swinburne-la-trobe-post-hefty-deficits-but-not-all-unis-in-the-red-20210504-p57oya.html</a> accessed 28 June 2021.

<sup>59</sup> Peter Hurley, '2021 is the year Australia's international students crisis really bites', *The Conversation*, 14 January 2021, <a href="https://theconversation.com/2021-is-the-year-australias-international-student-crisis-really-bites-153180">https://theconversation.com/2021-is-the-year-australias-international-student-crisis-really-bites-153180</a> accessed 28 June 2021.

**<sup>60</sup>** Mr Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 24.

<sup>61</sup> Mr Danny O'Brien MP, Public Accounts and Estimates Committee, 2021–22 Budget Estimates (Training and Skills & Higher Education) hearing, Melbourne, 21 June 2021, *Transcript of evidence*, p. 8.

<sup>62</sup> Hon Gayle Tierney MLC, Minister for Training and Skills & Higher Education, *Transcript of evidence*, p. 8.

<sup>63</sup> Hon Gayle Tierney MLC. Supporting Victorian Universities, media release, 19 May 2020.

However, adding a further payroll tax for universities is a further setback and Victorian universities are largely in the same position as 2020–21, as the Victorian Government does not expect international students to begin to return until early 2022.<sup>64</sup>

**FINDING 38:** The Victorian Government deferred the payroll tax of all Victorian universities in 2020–21 to 2022–23 due to the financial impact of the downturn of international students arriving to study. The Mental Health and Wellbeing Levy increases the amount of payroll tax Victorian universities will pay, while the Government expects international students to begin returning in early 2022.

The Minister for Higher Education advised the Committee of other supports provided to the university sector when asked about the further financial pressure of the levy.<sup>65</sup> The Minister outlined the \$350 million Victorian *Higher Education State Investment Fund*, of which 12 projects have been announced.<sup>66</sup> However, DET's response to the questionnaire indicates as at 30 April 2021, \$18.6 million of the fund had been expended of a planned \$153 million in 2020–21.<sup>67</sup> This represents only 5% of the total fund amount of \$350 million, suggesting the actual allocation of funds is progressing slowly.<sup>68</sup>

**FINDING 39:** The *Higher Education State Investment Fund* was initiated to financially support universities and stimulate the economy during the COVID-19 pandemic. As at 30 April 2021, only \$18.6 million of the \$350 million fund had been expended.

# 4.6 Early Childhood portfolio: key issue

The Minister for Early Childhood is responsible for the Early Childhood output (funding in 2021–22: \$973.4 million).<sup>69</sup>

The key issues relevant to the Early Childhood portfolio identified during the Committee's budget estimates inquiry are discussed below.

# 4.6.1 Participation rates in three and four-year-old kindergarten

# Participation by vulnerable and disadvantaged children

The 2021–22 Budget includes \$33.8 million over four years for vulnerable and disadvantaged children to access and participate in early childhood education and care. Funding includes expanding the *Access to Early Learning* program to new

<sup>64</sup> Department of Treasury and Finance, Budget Paper No. 2: 2021-22 Strategy and Outlook, Melbourne, 2021, p. 22.

<sup>65</sup> Hon Gayle Tierney MLC, Minister for Training and Skills & Higher Education, *Transcript of evidence*, p. 3.

<sup>66</sup> Ibid., p. 3; Department of Education and Training, Response to the 2021-22 Budget Estimates General Questionnaire, p. 44-45.

<sup>67</sup> Department of Education and Training, Response to the 2021-22 Budget Estimates General Questionnaire, pp. 44-45.

<sup>68</sup> Ibid. (Committee calculation).

<sup>69</sup> Ibid., p. 97; Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 148.

<sup>70</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 21, 23.

locations, early education supports to children affected by complex trauma and the expansion of the Koori preschool assistance program to four new locations.<sup>71</sup> The Minister advised the Committee that the funding for vulnerable children in the Budget is targeted to lift participation rates for children most in need.<sup>72</sup>

The Committee discussed access to kindergarten for vulnerable children further during the estimates hearing, specifically regarding children who are known to child protection. The Minister for Early Childhood advised the Committee that in 2020 42% of three-year-old children known to child protection were enrolled in kindergarten, while 80% of four-year-olds were enrolled.<sup>73</sup> During the 2020–21 Budget Estimates hearings the Minister told the Committee the rate for three-year-olds was 38% at the end of 2020.<sup>74</sup>

In comparison to the general population of three- and four-year-olds, approximately 89.1% of four-year-olds participated in kindergarten in the year before school in 2020–21.<sup>75</sup> DET does not publish the proportion of all three-year-olds who participate in kindergarten. According to the Productivity Commission, 53.3% of three-year-olds and 78% of four-year-olds in Victoria were enrolled in a preschool program in 2019.<sup>76</sup>

**FINDING 40:** In 2020, 42% three-year-olds known to child protection were enrolled in a kindergarten program, while 80% of four-year-olds were enrolled. These figures are less than the participation rate of the general population of three- and four-year-olds in 2019 and 2020.

In the Committee's *Report on the 2020–21 Budget Estimates*, the early childhood agreement for children in out-of-home care (OoHC) was discussed.<sup>77</sup> The agreement, introduced in 2019, included targets of doubling the number of children placed in OoHC in early start kindergarten and reaching 95% participation of children in OoHC in the year before school in kindergarten, in the three years from 2019.<sup>78</sup> The Committee was unable to locate further information regarding progress towards these targets.

<sup>71</sup> Ibid., p. 23; Ms Ingrid Stitt MLC, Minister for Early Childhood, 2021–22 Budget Estimates (Early Childhood) hearing, Melbourne, 21 June 2021, *Transcript of evidence*, p. 2.

<sup>72</sup> Ms Ingrid Stitt MLC, Minister for Early Childhood, *Transcript of evidence*, p. 7.

<sup>73</sup> Ibid., p. 6

<sup>74</sup> Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020-21 Budget Estimates, April 2021, p. 106.

<sup>75</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 152.

<sup>76</sup> This information is not available for 2020. The Productivity Commission uses the term 'preschool program' to refer to a 'structured, play-based learning program, delivered by a qualified teacher, aimed at children a year or two before they commence full time schooling ... Preschool programs are often referred to by other terms such as early childhood education, early learning or kindergarten.' Source: The Productivity Commission, Early Childhood Education and Care Interpretative Material, 2021, p. 15; The Productivity Commission, Table 3A.18, Early Childhood Education and Care – ECEC Services Data Tables, 2021, <a href="https://www.pc.gov.au/research/ongoing/report-on-government-services/2021/child-care-education-and-training/early-childhood-education-and-care">https://www.pc.gov.au/research/ongoing/report-on-government-services/2021/child-care-education-and-training/early-childhood-education-and-care</a> accessed 29 June 2021.

<sup>77</sup> Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020-21 Budget Estimates, pp. 105-106.

<sup>78</sup> Ibid.; Department of Education and Training, The Early Childhood Agreement for Children in Out-of-Home Care, 6 January 2020, <a href="https://www.education.vic.gov.au/childhood/professionals/health/outofhomecare/Pages/earlychildhoodagreement.aspx">https://www.education.vic.gov.au/childhood/professionals/health/outofhomecare/Pages/earlychildhoodagreement.aspx</a> accessed 29 June 2021; Department of Health and Human Services, Early Childhood and School Education Group, Early Childhood Agreement for Children in Out-Of-Home Care, Melbourne, 2019, p. 17.

**RECOMMENDATION 9:** The Department of Education and Training publish information regarding the progress made towards the targets of the early childhood agreement for children in out-of-home care in its next annual report and on the website outlining the agreement.

Considering the Government's program to introduce universal, 15 hour three-year-old kindergarten by 2029<sup>79</sup> the Committee believes it is important for the department to develop a performance measure and relevant targets for the proportion of three-year-olds participating in a kindergarten program.

**RECOMMENDATION 10:** The Department of Education and Training develop budget paper performance measures and targets regarding the roll out of universal three-year-old kindergarten and the proportion of Victorian three-year-olds attending kindergarten in the 2022–23 Budget.

Regarding other groups of vulnerable and disadvantaged children and the funding provided in the 2021–22 Budget, it is unclear how the department will demonstrate improved participation rates in three and four-year-old kindergarten. The department has added a performance measure related to improving early learning participation for various groups by the number of children participating. Further clarity would be provided regarding the outcomes of the funding in the 2021–22 Budget with performance measures based on a percentage participation rate as a proportion of eligible children who participate in kindergarten from the groups targeted by the funding. The department does so in part with the measure 'kindergarten participation rate for Aboriginal children in the year before school'.81

**RECOMMENDATION 11:** The Department of Education and Training develop performance measures for the 2022–23 Budget based on participation rates in kindergarten for groups targeted through the *Giving vulnerable and disadvantaged kids the best start in life* funding included the 2021–22 Budget.

#### Participation rates in the year before school

During the estimates hearings the Committee questioned the Minister for Early Childhood on the portfolio's performance measure and the outcomes for 'kindergarten participation rate in the year before school (YBFS)'. YBFS or four-year-old kindergarten is subsidised by the Victorian Government to allow four-year-old children to attend kindergarten for 15 hours per week.<sup>82</sup>

<sup>79</sup> Ms Ingrid Stitt MLC, Best Start in Life: Statewide Three-Year-Old Kinder, media release, 20 May 2021.

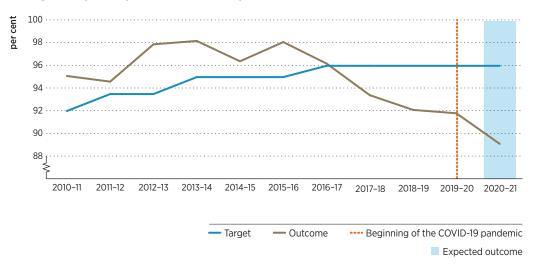
<sup>80</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 152.

<sup>81</sup> Ibid

<sup>82</sup> Department of Education and Training, *Types of Kindergarten Programs*, 11 May 2021, <a href="https://www.education.vic.gov.au/parents/child-care-kindergarten/Pages/kindergarten-programs.aspx">https://www.education.vic.gov.au/parents/child-care-kindergarten/Pages/kindergarten-programs.aspx</a> accessed 29 June 2021.

The Committee noted that since 2015–16 the proportion of all eligible children attending YBFS kindergarten has declined by almost 10%, while the department has not met its target for the performance measure since 2016–17 (Figure 4.4).

Figure 4.4 Kindergarten participation rate in the year before school—2010–11 to 2020–21



Source: Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery,* Melbourne, 2021, p. 152; Department of Treasury and Finance, *Departmental Statements: Department of Education and Training Output Performance Measures 2021–22*, 31 May 2021, <a href="https://www.dtf.vic.gov.au/state-financial-data-sets/departmental-statements">https://www.dtf.vic.gov.au/state-financial-data-sets/departmental-statements</a> accessed 29 June 2021.

When asked about the decline, both the Minister and Deputy Secretary, Early Childhood Education, stated in 2020–21 the result was directly attributable to the effects of the COVID-19 pandemic, including a decline in international and interstate migration and parents electing to keep their children at home.<sup>83</sup> The Deputy Secretary advised that without the associated COVID-19 impacts, the department estimated the 2020–21 participation rate would have been around 92–93%.<sup>84</sup> No explanation was provided regarding the downward trend in participation since 2015–16.

**FINDING 41:** Since 2015–16 the performance for 'kindergarten participation rate in the year before school' has declined by almost 10%. In 2020–21, the participation rate was affected by the COVID-19 pandemic. The Department of Education and Training estimates that the outcome for 2020–21 would have been around 92–93% without the effects of the pandemic.

The Minister advised Victoria's kindergarten participation rates are strong compared to other states and territories in Australia. The Productivity Commission's Report on Government Services 2021 (RoGS) shows that while the proportion of children enrolled in a YBFS preschool program in Victoria is comparable to the Australian average, in 2019 Victoria was the third lowest-performing state after New South Wales and

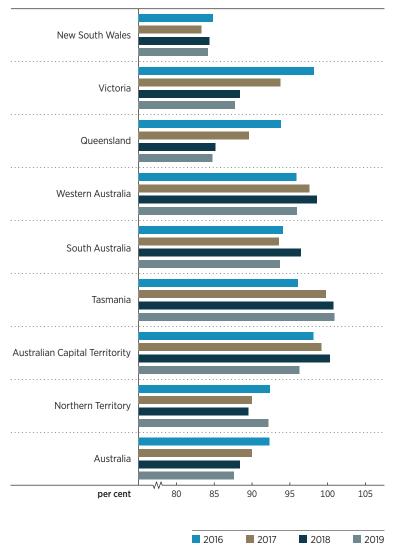
<sup>83</sup> Ms Ingrid Stitt MLC, Minister for Early Childhood, *Transcript of evidence*, pp. 4–5; Ms Kim Little, Deputy Secretary, Early Childhood Education, Department of Education and Training, 2021–22 Budget Estimates (Early Childhood) hearing, Melbourne, 21 June 2021, *Transcript of evidence*, pp. 4–5.

<sup>84</sup> Ms Kim Little, Deputy Secretary, Early Childhood Education, *Transcript of evidence*, p. 5.

<sup>85</sup> Ms Ingrid Stitt MLC, Minister for Early Childhood, *Transcript of evidence*, p. 4.

Queensland.<sup>86</sup> The RoGS data also demonstrates that Victoria's performance in this area has been declining year-on-year (Figure 4.5).

Figure 4.5 Proportion of children enrolled in a preschool program in the state-specific year before school (YBFS)—2016–2019



Source: The Productivity Commission, Table 3A.17, Early Childhood Education and Care – ECEC Services Data Tables, 2021, <a href="https://www.pc.gov.au/research/ongoing/report-on-government-services/2021/child-care-education-and-training/early-childhood-education-and-care">https://www.pc.gov.au/research/ongoing/report-on-government-services/2021/child-care-education-and-training/early-childhood-education-and-care</a> accessed 29 June 2021.

**FINDING 42:** Against the measure 'proportion of children enrolled in a preschool program in the state-specific year before school', Victoria has performed similarly to the Australian average between 2016 and 2019. However in 2019 Victoria had the third lowest participation rate of all states and territories and has experienced a sharp decline in participation year-on-year.

The Productivity Commission, Table 3A.17, Early Childhood Education and Care – ECEC Services Data Tables, 2021, <a href="https://www.pc.gov.au/research/ongoing/report-on-government-services/2021/child-care-education-and-training/early-childhood-education-and-care">https://www.pc.gov.au/research/ongoing/report-on-government-services/2021/child-care-education-and-training/early-childhood-education-and-care</a> accessed 29 June 2021.

# **4.7** Performance measures

# 4.7.1 Department wide: analysis of new performance measures

DET added 12 new performance measures in the 2021–22 Budget, two of which replaced discontinued measures.<sup>87</sup> The Committee identified weaknesses with five of the new measures. Table 4.1 summarises the issues with these measures.

Table 4.1 Issues with problematic new performance measures (2021–22)

Output	New performance measure	Issues identified by PAEC		
Support for Students with Disability	Proportion of government school students who receive adjustments to support their	Replaces the discontinued measure 'students funded under the disabilities program in government schools as a proportion of the total student population'.  The Committee supports the introduction of the new measure but notes the output contains only five performance measures, four of which are related to quantity measures. These quantity measures demonstrate outputs by DET but not outcomes for students with disability.		
(Quantity)	access and participation in learning because of disability as defined in the <i>Disability</i> <i>Discrimination Act 1992</i> (Cth)			
		There have been two quantity performance measures added in 2021–22 related to the <i>Disability Inclusion</i> program funded in 2020–21. Performance measures related to the program that measure quality, such as student or parent satisfaction with the support received, or timeliness related to delivery or assessment, could be included.		
Early Childhood Education (Quantity)	Children funded to participate in Early Start Kindergarten or Access to Early Learning in the year two-years before school	This performance measure would be enhanced with further information regarding the target of 3,000 children funded to participate. It is not clear how many children in total are eligible for funding, whether this target is sufficiently challenging or whether the target will consider relevant variances such as population change over time.		
School Education— Primary	Number of schools utilising the Local Administrative	The utility of this performance measure is limited as it is not immediately clear what a Local Administrative Bureau is or what it does. There is no further information about Local Administrative Bureau's in the budget papers or on DET's website.  Further limitations with this metric include:		
(Quantity)	Bureau			
		• a set target of 88 schools which doesn't reflect the coverage or need for the service		
		• it measures outputs by the department rather than reflecting expected outcomes for schools in utilising the Local Administrative Bureau.		

<sup>87</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 389; Department of Education and Training, *Response to the 2021–22 Budget Estimates General Questionnaire*, pp. 60–66.

Output	New performance measure	Issues identified by PAEC		
School Education-Primary (Quantity)	Number of schools working with School-wide Positive Behaviour Support	The Committee supports the department's introduction of performance measures related to student health and wellbeing initiatives, considering the student mental health reform agenda outlined in the 2021-22 Budget. However, there are noted limitations with this measure:		
		<ul> <li>measuring the number of schools implementing the program does not demonstrate the quality of outcomes for both students and teachers</li> </ul>		
		<ul> <li>the performance measure is not disaggregated between both relevant outputs—School Education – Primary and School Education – Secondary.</li> </ul>		
Training, Higher Education and Workforce Development (Quantity)	Number of enrolments in the Free TAFE for priority courses initiative	While the Committee broadly supports the introduction of the performance measure, transparency around the outcomes of the <i>Free TAFE</i> initiative would be increased with the introduction of a measure demonstrating the completion rate of enrolments.		

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery*, Melbourne, 2021, pp. 26, 170, 389; Department of Education and Training, *Response to the 2021–22 Budget Estimates General Questionnaire*, received 21 May 2021, pp. 64–65; Department of Education and Training, *Disability Inclusion: increased support for students with disabilities*, 25 May 2021, <a href="https://www.education.vic.gov.au/school/teachers/learningneeds/Pages/disability-inclusion.aspx">https://www.education.vic.gov.au/school/teachers/learningneeds/Pages/disability-inclusion.aspx</a> accessed 29 June 2021.

**RECOMMENDATION 12:** The Department of Education and Training address the shortcomings in the five new performance measures introduced in 2021–22 and identified by the Committee with further, or altered, performance measures in the 2022–23 Budget.

In 2021–22 DET does not have any performance measures related to timeliness across its outputs – performance measures only relate to quality, quantity and cost. Resource, does not allow for oversight of possible trade-offs across measures and does not allow for insight into time-based performance of the department. The Department of Treasury and Finance's Resource Management Framework requires departments have a meaningful mix of measures across the four dimensions.

**RECOMMENDATION 13:** The Department of Education develop timeliness measures where appropriate to include in its performance statement in the 2022–23 Budget.

<sup>88</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, pp. 150-170.

<sup>89</sup> Victorian Auditor-General's Office, Measuring and Reporting on Service Delivery, Melbourne, 2021, pp. 4, 38.

<sup>90</sup> Ibid., p. 38.

# **4.7.2** Department wide: analysis of discontinued performance measures

DET identified two performance measures for discontinuation in the 2021–22 Budget.<sup>91</sup> The Committee supports the discontinuation of 'percentage of Year 9 students with a Careers e-Portfolio' with a broader measure regarding the use of career diagnostic tools.<sup>92</sup>

The second discontinued measure has been replaced in 2021–22 with a performance measure that has noted limitations. This is discussed further in Section 4.7.1.

<sup>91</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 389.

**<sup>92</sup>** Ibid.

# **5** Department of Justice and Community Safety

# 5.1 Overview

The Department of Justice and Community Safety (DJCS) supports nine portfolios: Attorney-General, Police and Emergency Services, Crime Prevention, Corrections, Youth Justice, Victim Support, Consumer Affairs, Gaming and Liquor Regulation and Workplace Safety.<sup>1</sup>

In 2021-22 DJCS' objectives are:

- ensuring community safety through policing, law enforcement and crime prevention activities
- reducing the impact of, and consequences from, natural disasters and other emergencies on people, infrastructure, the economy and the environment
- effective management of prisoners and offenders and provision of opportunities for rehabilitation and reparation
- effective supervision of children and young people through the provision of youth justice services promoting rehabilitation
- a fair and accessible justice system that supports confidence in the Victorian community
- Victorians are protected with equal opportunities, secure identities, information freedoms and privacy rights
- a fair marketplace for Victorian consumers and businesses with responsible and sustainable liquor and gambling sectors.<sup>2</sup>

The Committee focused on key issues relating to five portfolios arising from the estimates hearings.

# **5.2** Financial analysis

In 2021–22 DJCS has the third largest departmental budget, representing 12% of total output.<sup>3</sup> DJCS' budget allocation has been relatively stable over the past two

<sup>1</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, p. 279.

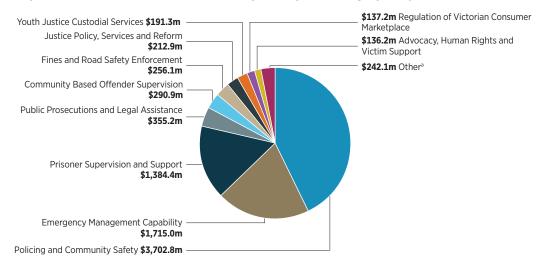
**<sup>2</sup>** Ibid., pp. 279–280.

<sup>3</sup> Ibid., p. 282 (Committee calculation).

years. In 2021–22 DJCS is allocated \$8.6 billion to fund its outputs, an increase of 1.1% compared to the 2020–21 Budget.<sup>4</sup>

In 2021–22 the majority of DJCS' output funding (43%) is provided to the Policing and Community Safety output, which funds Victoria Police (Figure 5.1). The next largest outputs are Emergency Management Capability (20% of overall funding) and Prisoner Supervision and Support (16% of overall funding).<sup>5</sup>

Figure 5.1 Department of Justice and Community Safety—funding by output, 2021–22



a. The 10 outputs with the largest amount of funding in 2021-22 are included in Figure 5.1. Other is comprised of the remaining five outputs: Community Crime Prevention (\$20.9 million, Youth Justice Community Based Services (\$76.7 million), Protection of Children, Personal Identity and Screening Services (\$45.7 million), Public Sector Information Management, Privacy and Integrity (\$18.9 million) and Gambling and Liquor Regulation (\$79.9 million).

Source: Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, p. 282 (Committee calculation).

DJCS' output appropriation will decrease by 4.4% compared to the 2020–21 Budget, from \$8.8 billion to \$8.4 billion. DJCS advised the Committee the variance was due to the discontinuation of the capital assets charge and a reduction in the year-on-year funding for initiatives outlined in previous budgets.<sup>6</sup>

In 2021–22 DJCS' capital program consists of \$116 million in new projects and \$3.3 billion in existing projects, representing 4.9% of the total government capital program.<sup>7</sup> Of the new capital spend, 72% is shared between two initiatives: *Supporting the State's forensic capability* (\$40.2 million) and *Delivering new police infrastructure* (\$43.5 million).<sup>8</sup>

<sup>4</sup> Ibid. (Committee calculation).

<sup>5</sup> Ibid. (Committee calculation).

<sup>6</sup> For example, initiatives from previous budgets may be funded over four years and receive a higher proportion of funding in the first year than subsequent years. Source: Department of Justice and Community Safety, Response to the 2021–22 Budget Estimates General Questionnaire, received 26 May 2021, pp. 40–41.

<sup>7</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2021–22 State Capital Program,* Melbourne, 2021, p. 26 (Committee calculation).

<sup>8</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 100; Ibid. (Committee calculation).

#### **Treasurer's Advances 2020-21**

The Committee's questionnaire (question 14) asked departments to identify any additional funding received through Treasurer's Advances. DJCS identified no programs that received Treasurer's Advances for the year 2020–21.9 However, the Committee notes that the 2021–22 Budget allocates \$106.6 million in 2020–21 to new output initiatives. Of the \$106.6 million, \$49.7 million will go towards ensuring high risk businesses and industry comply with Chief Health Officer directions and COVID-19 public health restrictions. Responding to question 4 of the Committee's questionnaire, DJCS stated that \$49.7 million will be funded utilising Treasurer's Advances in 2020–21 and annual appropriation in 2021–22. 12

The Department of Treasury and Finance (DTF) advised that the funding allocated in 2020–21 in the 2021–22 Budget reflects new policy decisions made since the 2020–21 Budget and that the actuals will be published in the Treasurer's Advance disclosure in the 2020–21 Annual Financial Report.<sup>13</sup>

Given the different responses provided by DJCS, it is unclear to the Committee if the additional output allocation of \$106.6 million in 2020–21 is funded via Treasurer's Advances and/or through other funding sources such as internal reprioritisation.

**FINDING 43:** The Department of Justice and Community Safety identified no funds received through Treasurer's Advances in 2020–21. However, the 2021–22 Budget allocates \$106.6 million in new output funding for 2020–21 with \$49.7 million allocated to COVID-19 compliance checks in high risk businesses and industries. This initiative was funded via Treasurer's Advance (2020–21) and annual appropriation (2021–22).

# 5.3 Attorney-General portfolio: key issue

The Attorney-General is responsible for six outputs with a total funding allocation of \$1 billion in the 2021–22 Budget. The funding allocation for each output is represented in Figure 5.2. Responsibility for the Advocacy, Human Rights and Victim support output is shared with the Minister for Victim Support.

<sup>9</sup> Department of Justice and Community Safety, Response to the 2021-22 Budget Estimates General Questionnaire, p. 83.

<sup>10</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, pp. 88, 93.

<sup>11</sup> Ibid., pp. 88, 93.

<sup>12</sup> Department of Justice and Community Safety, Response to the 2021-22 Budget Estimates General Questionnaire, p. 43.

<sup>13</sup> Department of Treasury and Finance, Supplementary information provided by email, supplementary evidence received 26 May 2021

<sup>14</sup> Department of Justice and Community Safety, Response to the 2021-22 Budget Estimates General Questionnaire, p. 131; Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 282.

Department of Justice and Community Safety, Response to the 2021–22 Budget Estimates General Questionnaire, pp. 131, 138–139.

Public Sector Information Management,
Privacy and Integrity \$18.9m

Protection of Children, Personal Identity
and Screening Services \$45.7m

Advocacy, Human Rights and Victim
Support \$136.2m

Justice Policy, Services and Law Reform
\$212.9m

Fines and Road Safety Enforcement
\$256.1m

\$355.2m

Figure 5.2 Attorney-General portfolio—funding by output, 2021–22

Public Prosecutions and Legal Assistance

Source: Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, p. 282; Department of Justice and Community Safety, Response to the 2021–22 Budget Estimates General Questionnaire, received 26 May 2021, p. 131.

# **5.3.1** Operation of Births, Deaths and Marriages in 2020–21 and 2021–22

As part of the Protection of Children, Personal Identity and Screening Services output the Attorney-General is responsible for Births, Deaths and Marriages Victoria (BDM). According to the budget papers, BDM protects personal identity through the registration of significant life events. BDM records births, adoptions, marriages and deaths and registers name changes and issues certificates related to its records, such as birth and marriage certificates.

During the hearings the Committee discussed the limited service offering of BDM during 2020 and 2021. The Attorney-General advised BDM closed its customer service centre and call centre in March 2020 in response to public health advice related to COVID-19.<sup>19</sup> During this time BDM could only be contacted via a voicemail system, via email and through their online platform, and could only receive documents via email and post.<sup>20</sup>

BDM provides vital and time-sensitive services to the Victorian public as acknowledged by the Attorney-General, who noted individuals may need to access a birth certificate to receive a loan, enrol in education or access a new job.<sup>21</sup>

<sup>16</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 305; Ibid., p. 131.

<sup>17</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 305.

<sup>18</sup> Births, Deaths and Marriages Victoria, About Us, 9 June 2021, <a href="https://www.bdm.vic.gov.au/about-us">https://www.bdm.vic.gov.au/about-us</a> accessed 21 July 2021.

Hon Jaclyn Symes MLC, Attorney-General, 2021–22 Budget Estimates (Attorney-General) hearing, Melbourne, 30 June 2021, Transcript of evidence, p. 24; Births, Deaths and Marriages Victoria, Our services during COVID-19, 31 May 2021, <a href="https://www.bdm.vic.gov.au/about-us/our-services/our-services-during-covid-19">https://www.bdm.vic.gov.au/about-us/our-services/our-services-during-covid-19</a> accessed 21 July 2021.

<sup>20</sup> Births, Deaths and Marriages Victoria, Proving your identity, 9 June 2021, <a href="https://www.bdm.vic.gov.au/proving-your-identity">https://www.bdm.vic.gov.au/proving-your-identity</a> accessed 21 July 2021; Victoria, Legislative Council, 29 April 2021, Parliamentary debates, p. 1319.

<sup>21</sup> Hon Jaclyn Symes MLC, Attorney-General, *Transcript of evidence*, p. 26.

The Attorney-General advised BDM's phoneline would reopen in May 2021, over a year since it last operated.<sup>22</sup> BDM's main customer service centre remains closed.<sup>23</sup> The Attorney-General acknowledged that BDM's limited service offering has resulted in a backlog of inquiries, longer wait times and access issues for individuals who require BDM's services.<sup>24</sup> While DJCS' 2018–19 Annual Report included data on BDM's operations, including number of online and mail applications received, calls answered and individuals serviced at the BDM Service Centre, its 2019–20 Annual Report did not include the same information.<sup>25</sup>

**RECOMMENDATION 14:** The Department of Justice and Community Safety (DJCS) publish data on the operation of Births, Deaths and Marriages Victoria between 2018–19 and 2020–21 in its 2020–21 Annual Report. DJCS should include the average wait time for certificate processing, customer satisfaction with online services and data on the number of customers serviced and inquiries finalised.

The Attorney-General advised that BDM's call centre was non-operational due to staff moving into public health roles during the pandemic.<sup>26</sup> However it remains unclear to the Committee why the call centre was non-operational from March 2020 to May 2021, and why the customer service centre remains closed, considering the changing level of restrictions throughout 2020 and 2021 and the continued operation of other Government call and customer service centres. The Attorney-General has publicly stated the customer service centre would reopen in May 2021 but this did not eventuate.<sup>27</sup>

**FINDING 44:** The call centre and customer service centre of Births, Deaths and Marriages Victoria were closed in March 2020 in response to the COVID-19 pandemic. The call centre re-opened in May 2021 but it remains unclear when the service centre will reopen.

# **5.4** Corrections portfolio: key issue

The Minister for Corrections is responsible for two outputs: Community Based Offender Supervision (funding in 2021–22: \$290.9 million) and Prisoner Supervision and Support (funding in 2021–22: \$1.4 billion).<sup>28</sup>

<sup>22</sup> Ibid., p. 25; Victoria, Legislative Council, 29 April 2021, Parliamentary debates, p. 1319.

<sup>23</sup> Births, Deaths and Marriages Victoria, *Births, Deaths and Marriages Victoria*, 31 May 2021, <a href="https://www.bdm.vic.gov.au">https://www.bdm.vic.gov.au</a> accessed 21 July 2021.

<sup>24</sup> Hon Jaclyn Symes MLC, Attorney-General, *Transcript of evidence*, p. 25.

<sup>25</sup> Department of Justice and Community Safety, Annual Report 2018-19, Melbourne, 2019, p. 135.

<sup>26</sup> Hon Jaclyn Symes MLC, Attorney-General, *Transcript of evidence*, p. 25.

<sup>27</sup> Victoria, Legislative Council, 29 April 2021, Parliamentary debates, p. 1319.

<sup>28</sup> Department of Justice and Community Safety, Response to the 2021–22 Budget Estimates General Questionnaire, p. 136; Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 282.

#### **5.4.1** Victoria's corrections population

During the budget estimates hearing the Committee discussed Victoria's prison population with the Minister for Corrections.<sup>29</sup> According to statistics released by Corrections Victoria to 30 June 2020, Victoria's prison population has increased by 58% over the last 10 years.<sup>30</sup> There has been a significant growth in certain prisoner cohorts during that period. Female imprisonment increased by 29% and the number of Aboriginal and Torres Strait Islander prisoners rose from 6% of the prisoner population to 10%.<sup>31</sup> The cost of the output Prisoner Supervision and Support has grown by 215% between 2009–10 and 2019–20.<sup>32</sup>

**FINDING 45:** Between 2009–10 and 2019–20, Victoria's prison population has grown by 58%, while the cost for the output Prisoner Supervision and Support has grown by 215%.

From 2009–10 to 2019–20, the cost of the Prisoner Supervision and Support output has had an annual average growth rate of 12.3%.<sup>33</sup> For the same period the annual average growth rate of Victoria's prison population was 4.9%.<sup>34</sup> Figure 5.3 shows a projection of the cost of corrections and total prisoners, based on the average past growth rates over 10 years. According to this projection, by mid-2030 corrections could cost over \$4 billion per year to provide for over 11,500 prisoners.<sup>35</sup>

<sup>29</sup> Mr Sam Hibbins MP, Public Accounts and Estimates Committee, 2021–22 Budget Estimates (Corrections) hearings, Melbourne, 30 June 2021, Transcript of evidence, pp. 9–10.

<sup>30</sup> Corrections Victoria, Profile of People in Prison, 2020, <a href="https://files.corrections.vic.gov.au/2021-06/Infograpic\_Profile\_of\_people\_in\_prison2020.pdf">https://files.corrections.vic.gov.au/2021-06/Infograpic\_Profile\_of\_people\_in\_prison2020.pdf</a> accessed 21 July 2021.

<sup>31</sup> Ibid

<sup>32</sup> Department of Treasury and Finance, Departmental performance measures - Department of Justice and Community Safety, 12 July 2021, <a href="https://www.dtf.vic.gov.au/state-financial-data-sets/departmental-statements">https://www.dtf.vic.gov.au/state-financial-data-sets/departmental-statements</a> accessed 21 July 2021; Department of Justice, Annual Report 2011-12, Melbourne, 2012, p. 74 (Committee calculation).

<sup>33</sup> Ibid.

<sup>34</sup> Corrections Victoria, Table 1.3, Annual Prisoner Statistical Profile 2009-10 to 2019-20, 2020, <a href="https://www.corrections.vic.gov.au/annual-prisoner-statistical-profile-2009-10-to-2019-20">https://www.corrections.vic.gov.au/annual-prisoner-statistical-profile-2009-10-to-2019-20</a> accessed 21 July 2021 (Committee calculation).

<sup>35</sup> Ibid; Department of Treasury and Finance, *Departmental performance measures – Department of Justice and Community Safety*; Department of Justice, *Annual Report 2011–12*, p. 74 (Committee calculation).

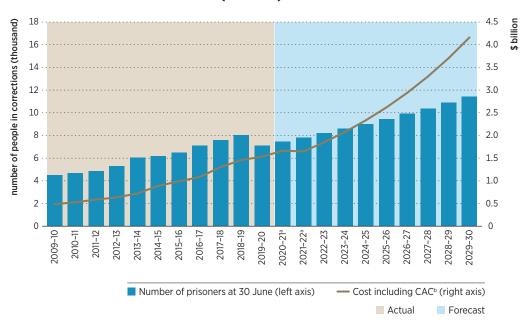


Figure 5.3 Cost of Prisoner Supervision and Support output and total number of individuals in corrections 2009–10 to 2029–30 (forecast)

b. CAC is the capital asset charge, discontinued in 2021–22. The 2021–22 target for the output reflected above includes 20% attributable to CAC (Committee calculation).

Source: Department of Treasury and Finance, Departmental performance measures – Department of Justice and Community Safety, 12 July 2021, <a href="https://www.dtf.vic.gov.au/state-financial-data-sets/departmental-statements">https://www.dtf.vic.gov.au/state-financial-data-sets/departmental-statements</a> accessed 21 July 2021; Corrections Victoria, Table 1.3, Annual Prisoner Statistical Profile 2009–10 to 2019–20, 2020, <a href="https://www.corrections.vic.gov.au/annual-prisoner-statistical-profile-2009-10-to-2019-20">https://www.corrections.vic.gov.au/annual-prisoner-statistical-profile-2009-10-to-2019-20</a> accessed 21 July 2021; Department of Justice, Annual Report 2011–12, Melbourne, 2012, p. 74 (Committee projection).

# 5.5 Crime Prevention portfolio: key issue

The Minister for Crime Prevention is responsible for one output: Community Crime Prevention (funding in 2021–22: \$20.9 million).<sup>36</sup> Funding for this output in 2021–22 has declined by 51.5% in comparison to the 2020–21 Budget.<sup>37</sup>

#### **5.5.1** Crime Prevention Strategy

The 2021–22 Budget includes almost \$20 million for a number of crime prevention initiatives including \$10 million to deliver local partnership initiatives with Victorian communities, \$4.4 million for Youth Crime Prevention Grants and \$5.5 million to partner with crime prevention organisations.<sup>38</sup>

a. The 2020-21 cost for the Prisoner Supervision and Support output represents an expected outcome and has not been finalised. The 2021-22 cost for the same output reflects the department's target as outlined in the 2021-22 Budget.

<sup>36</sup> Department of Justice and Community Safety, Response to the 2021-22 Budget Estimates General Questionnaire, p. 136; Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 282.

<sup>37</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 282.

<sup>38</sup> Hon Natalie Hutchins MP, 2021–22 Budget Estimates hearing presentation: Crime Prevention, supplementary evidence, received 30 June 2021, p. 3.

During the budget estimates hearing the Minister for Crime Prevention told the Committee that the initiatives funded in the 2021–22 Budget would allow DJCS to deliver on its Crime Prevention Strategy.<sup>39</sup> Released in June 2021, the Strategy aims to support early intervention and tackle the root causes of crime by partnering with communities to address issues at the local level.<sup>40</sup> The Strategy focuses on three action areas:

- Empower and invest in local communities—aims to equip and work alongside communities to address risk factors for offending.
- Enhance and connect support for people and communities in need—aims to encourage collaboration and strengthen partnerships across different sectors and communities to improve access to targeted, effective crime prevention supports.
- Evidence and impact for effective and innovative approaches—aims to build a strong evidence-base of best practice approaches to crime prevention.<sup>41</sup>

The Committee notes that funding included in the 2021–22 Budget to engage communities to deliver initiatives, and for Youth Crime Prevention Grants, are designed to address the first of the three action areas. 42 Similarly, DJCS has recently partnered with New York University to develop tools and resources to assist community organisations to implement effective and evidence-based community development programs. 43

**FINDING 46:** In June 2021 the Department of Justice and Community Safety delivered its Crime Prevention Strategy. The funding for crime prevention initiatives in the 2021–22 Budget directly respond to several key areas of the Strategy.

Regarding action area three and the need for evidence-based approaches to crime prevention, the Committee has previously reported that the Crime Prevention portfolio had little available information on the impact and outcomes of its programs, including the crime prevention grants it awards.<sup>44</sup> As part of the Crime Prevention Strategy, the department states that communities will 'have access to tools, resources and practical information to help build an understanding of what is working at the local level and to

<sup>39</sup> Hon Natalie Hutchins MP, Minister for Crime Prevention, 2021–22 Budget Estimates (Crime Prevention) hearing, Melbourne, 30 June 2021. Transcript of evidence. p. 1.

<sup>40</sup> Community Crime Prevention, Crime Prevention Strategy - Empowering local solutions to tackle crime, 21 June 2021, <a href="https://www.crimeprevention.vic.gov.au/the-strategy/crime-prevention-strategy-empowering-local-solutions-to-tackle-crime">https://www.crimeprevention.vic.gov.au/the-strategy/crime-prevention-strategy-empowering-local-solutions-to-tackle-crime</a> accessed 22 July 2021.

<sup>41</sup> Community Crime Prevention, Crime Prevention Strategy, Melbourne, 2021, pp. 10–14.

<sup>42</sup> Hon Natalie Hutchins MP, Minister for Crime Prevention, *Transcript of evidence*, p. 1.

<sup>43</sup> Community Crime Prevention, *Becoming a 'pracademic' – the NYU BetaGov learning model*, 14 May 2021, <a href="https://www.crimeprevention.vic.gov.au/nyu-partnership">https://www.crimeprevention.vic.gov.au/nyu-partnership</a> accessed 22 July 2021.

**<sup>44</sup>** Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2017–18 and 2018–19 financial and performance outcomes*, July 2020, p. 118.

support the implementation and evaluation of their own solutions'.<sup>45</sup> However, there is no further information regarding how the department will demonstrate the outcomes of crime prevention resources, grants and the support it provides.

DJCS has advised that as part of its performance reporting funded projects will require evaluation within 12 months, which will be published on the crime prevention website. 46 The parameters of the required evaluations were not disclosed, however the Committee believes it is important to align outcomes of funded projects to the portfolio and Community Crime Prevention's key priorities, and the overall priority of reducing crime. 47

**RECOMMENDATION 15:** The Department of Justice and Community Safety ensure the evaluations of funded crime prevention projects include information regarding:

- · how outcomes align to the objectives and priorities of Community Crime Prevention and
- how the projects have reduced crime.

# **5.6** Police and Emergency Services portfolio: key issue

The Minister for Police and Emergency Services is responsible for two outputs: Policing and Community Safety (funding in 2021–22: \$3.7 billion) and Emergency Management Capability (funding in 2021–22: \$1.7 billion).<sup>48</sup>

The two outputs combined represent 63% of the department's total output funding in the 2021–22 Budget.<sup>49</sup>

#### 5.6.1 COVID-19 Quarantine Victoria

During the budget estimates hearing the Acting Minister for Police and Emergency Services provided an update on Victoria's hotel quarantine program and the statutory authority that administers hotel quarantine—COVID-19 Quarantine Victoria (CQV).<sup>50</sup>

The 2021–22 Budget does not contain an output initiative associated with the operation of CQV. Similarly the 2020–21 Budget did not contain funding for CQV as previously

<sup>45</sup> Community Crime Prevention, *Action Area 3*, 20 June 2021, <a href="https://www.crimeprevention.vic.gov.au/the-strategy/action-area-3">https://www.crimeprevention.vic.gov.au/the-strategy/action-area-3</a> accessed 22 July 2021.

Department of Justice and Community Safety, Response to the 2021–22 Budget Estimates General Questionnaire, p. 88.

<sup>47</sup> Community Crime Prevention, *About Us*, 8 January 2019, <a href="https://www.crimeprevention.vic.gov.au/about-us">https://www.crimeprevention.vic.gov.au/about-us</a> accessed 22 July 2021; Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 288.

<sup>48</sup> Department of Justice and Community Safety, Response to the 2021–22 Budget Estimates General Questionnaire, p. 134; Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 282.

<sup>49</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 282 (Committee calculation).

<sup>50</sup> Mr Danny Pearson MP, Acting Minister for Police and Emergency Services, 2021–22 Budget Estimates (Police) hearing, Melbourne, 21 June 2021, *Transcript of evidence*, p. 2.

reported by the Committee.<sup>51</sup> Budget Paper No. 5 states a factor in the decrease in DJCS' operating income was one-off funding for the CQV initiative.<sup>52</sup> This was not included in DJCS' questionnaire responses, nor was any further reference to the funding of CQV.<sup>53</sup> Similarly, DJCS has not reported how CQV has been funded since its creation in December 2020. For these reasons the cost of CQV in 2020–21 and 2021–22 is unclear.

In the 2020–21 Mid-Year Financial Report, DTF advised the State entered into several contracts to the value of \$377 million to deliver hotel quarantine for at least one year.<sup>54</sup>

However, the Attorney-General reported in Parliament that between July 2020 and March 2021 the cost of hotel quarantine was \$442.2 million, or \$49 million per month.<sup>55</sup>

It is also unclear how much of the cost may have been offset by charging individuals for their stay in hotel quarantine.<sup>56</sup>

The Acting Minister for Police and Emergency Services advised the Committee as at 17 June 2021, 35,748 people had quarantined since the establishment of CQV in December 2020.<sup>57</sup>

The Attorney-General advised actual costs would be published in the 2020–21 Annual Financial Report.<sup>58</sup>

**FINDING 47:** The 2021–22 Budget does not specify any funding related to COVID-19 Quarantine Victoria.

**RECOMMENDATION 16:** The Victorian Government include estimated costs for COVID-19 related quarantine in the 2022–23 Budget.

# 5.7 Youth Justice portfolio: key issue

The Minister for Youth Justice is responsible for two outputs: Youth Justice Community Based Services (funding in 2021–22: \$76.7 million) and Youth Justice Custodial Services

<sup>51</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020–21 Budget Estimates*, April 2021, pp. 147. 150.

<sup>52</sup> Department of Treasury and Finance, *Budget Paper No. 5: 2021–22 Statement of Finances*, Melbourne, 2021, p. 123; Department of Justice and Community Safety, *Response to the 2021–22 Budget Estimates General Questionnaire*, pp. 40–41.

<sup>53</sup> Department of Justice and Community Safety, Response to the 2021–22 Budget Estimates General Questionnaire, pp. 40–41.

<sup>54</sup> Department of Treasury and Finance, 2020–21 Mid-Year Financial Report, Melbourne, 2021, p. 34.

<sup>55</sup> Parliament of Victoria, *Questions Without Notice No 340*, 26 May 2021, <a href="https://www.parliament.vic.gov.au/assembly/guestions-on-notice/questions-database/details/53/7504">https://www.parliament.vic.gov.au/assembly/guestions-on-notice/questions-database/details/53/7504</a> accessed 22 July 2021.

<sup>56</sup> Victorian Government, Hotel quarantine contribution fee, 20 July 2021, <a href="https://www.coronavirus.vic.gov.au/hotel-quarantine-contribution-fee">https://www.coronavirus.vic.gov.au/hotel-quarantine-contribution-fee</a> accessed 22 July 2021.

<sup>57</sup> Mr Danny Pearson MP, 2021–22 Budget Estimates hearing presentation: Police, supplementary evidence, received 21 June 2021, p. 6.

<sup>58</sup> Parliament of Victoria, Questions Without Notice No 340.

(funding in 2021–22: \$191.3 million).<sup>59</sup> Compared to the 2020–21 Budget, the funding for the Youth Justice Community Based Services output has grown by 21.9%.<sup>60</sup>

#### 5.7.1 Young people under youth justice supervision aged 10 to 13

The age of criminal responsibility is 10 years old in Victoria and across all states and territories in Australia. A number of children aged between 10 and 13 are subject to community supervision and detention each year in Victoria.<sup>61</sup>

During the hearings the Committee discussed the issue of children aged 10 to 13 in the youth justice system, how the Government is working to reduce the number of young children entering the system and how the 2021–22 Budget supports this work with the Minister for Youth Justice.<sup>62</sup>

The Minister advised the Committee that the Government was endeavouring to target the root causes of crime, provide early intervention support and invest in mental health to support all young offenders and reduce youth crime.<sup>63</sup> The Minister highlighted the rollout of specialist youth forensic mental health programs, which would 'benefit all young people'.<sup>64</sup>

The 2021–22 Budget includes \$33.1 million as part of the Attorney-General's portfolio to prevent Aboriginal deaths in custody, which includes a component aimed at reducing the number of Aboriginal children under the age of 14 in youth justice through the provision of early intervention family services and specialist family practitioners. The Committee was not provided with further information on what the measurable impact of this initiative is expected to be.

**FINDING 48:** The \$33.1 million initiative *Preventing Aboriginal deaths in custody* in the 2021–22 Budget includes early intervention family services and family practitioners for keeping children under the age of 14 out of the justice system.

<sup>59</sup> Department of Justice and Community Safety, Response to the 2021–22 Budget Estimates General Questionnaire, p. 138; Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 282.

<sup>60</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 282.

<sup>61</sup> Criminal responsibility for children 14 and under is further limited under Victorian law by the principle of doli incapax, which presumes a lack of capacity for children between 10 and 14 to be criminally responsible for their conduct. This rebuttable presumption reflects the underlying rationale that a child under 14 years of age is generally not sufficiently intellectually and morally developed to appreciate the difference between right and wrong. Source: Department of Justice and Community Safety, Youth Justice Strategic Plan 2020–2030, Melbourne, 2020, p. 24; Ms Jodi Henderson, Youth Justice Commissioner, Department of Justice and Community Safety, 2021–22 Budget Estimates (Youth Justice) hearing, Melbourne, 30 June 2021, Transcript of evidence, p. 8.

<sup>62</sup> Hon Natalie Hutchins MP, Minister for Youth Justice, 2021–22 Budget Estimates (Youth Justice) hearing, Melbourne, 30 June 2021, *Transcript of evidence*, pp. 4–5, 7–8.

<sup>63</sup> Ibid., pp. 3-4.

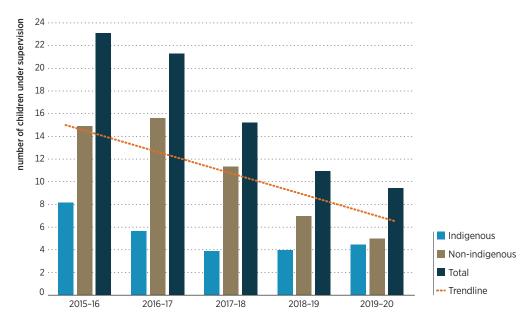
<sup>64</sup> Ibid., p. 4; Department of Treasury and Finance, Budget Paper No. 3: 2021-22, pp. 16-17.

<sup>65</sup> Hon Natalie Hutchins MP, 2021–22 Budget estimates hearing presentation: Youth justice, supplementary evidence, received 30 June 2021, p. 10; Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 3, 6.

The Youth Justice Commissioner told the Committee that of the 45 individual young people aged 10 to 13 in youth justice in 2019–20, 15 (one third) were Aboriginal children.<sup>66</sup> Aboriginal children are over-represented in this cohort and only make up 1.8% of Victorian young people aged between 10 and 14 years.<sup>67</sup>

Figure 5.4 demonstrates that both the number of 10 to 13-year-old Aboriginal children and the total number of children in this age group under youth justice supervision has been steadily decreasing since 2015, with a slight increase in 2019–20.<sup>68</sup>

Figure 5.4 Young people under supervision on an average day by Indigenous status, aged 10 to 13, Victoria, 2015–16 to 2019–20



Source: Australian Institute of Health and Welfare, Table S130, Data tables: Youth justice in Australia 2019–20 supplementary tables – State and territory summary: S128 to S143, 2020, <a href="https://www.aihw.gov.au/reports-data/health-welfare-services/youth-justice/data">https://www.aihw.gov.au/reports-data/health-welfare-services/youth-justice/data</a> accessed 22 July 2021.

**FINDING 49:** Aboriginal children aged 10 to 13 are over-represented compared to non-Aboriginal children of the same age in youth justice. However, the number of Aboriginal children in this cohort under supervision on an average day has declined since 2015–16.

<sup>66</sup> Ms Jodi Henderson, Youth Justice Commissioner, Transcript of evidence, p. 8.

<sup>67</sup> According to the Australian Bureau of Statistics, at the last census in 2016 there were 341,063 Victorians aged 10–14 years, 6025 of which were Aboriginal and Torres Strait Islander Victorians. Source: Australian Bureau of Statistics, 2016 Census QuickStats: People – demographics and education: Age, 2016, <a href="https://quickstats.censusdata.abs.gov.au/censusservices/getproduct/census/2016/quickstat/2?opendocument">https://quickstats.censusdata.abs.gov.au/censusservices/getproduct/census/2016/quickstat/2?opendocument</a> accessed 6 August 2021; Australian Bureau of Statistics, Estimates of Aboriginal and Torres Strait Islander Australians, 2018, <a href="https://www.abs.gov.au/statistics/people/aboriginal-and-torres-strait-islander-peoples/estimates-aboriginal-and-torres-strait-islander-australians/latest-release">https://www.abs.gov.au/statistics/people/aboriginal-and-torres-strait-islander-peoples/estimates-aboriginal-and-torres-strait-islander-australians/latest-release</a> accessed 6 August 2021; Commission for Children and Youth People, Our Youth, Our Way: Summary and recommendations, Melbourne, 2021, p. 8.

<sup>68</sup> Australian Institute of Health and Welfare, Table S130, Data tables: Youth justice in Australia 2019–20 supplementary tables

- State and territory summary: S128 to S143, 2020, <a href="https://www.aihw.gov.au/reports-data/health-welfare-services/youth-justice/data">https://www.aihw.gov.au/reports-data/health-welfare-services/youth-justice/data</a> accessed 22 July 2021.

Considering DJCS' commitment to reducing the incidence of both Aboriginal and non-Aboriginal children aged 10 to 13 under youth justice supervision, further performance measures demonstrating the outcomes of this work would increase accountability.

**RECOMMENDATION 17:** The Department of Justice and Community Safety develop budget paper performance measures so that the outcomes of the investment in addressing the over-representation of Aboriginal children aged 10 to 13 under both youth justice detention and community supervision can be followed.

**RECOMMENDATION 18:** The Department of Justice and Community Safety develop budget paper performance measures so that the outcomes of the investment in reducing the number of 10 to 13-year-olds under both youth justice detention and community supervision can be followed.

#### **5.8** Performance measures

#### 5.8.1 Department wide: analysis of new performance measures

DJCS added six new performance measures in the 2021–22 Budget, two of which replaced discontinued measures.<sup>69</sup> Notable new performance measures include:

- three new performance measures in the Community Crime Prevention output, two
  of which respond to recommendation 39 included in the Committee's Report on the
  2019–20 Budget Estimates<sup>70</sup>
- a new performance measure 'client satisfaction with victim services' responds to recommendation 33 included in the Committee's *Report on the 2019–20 Budget Estimates.*<sup>71</sup>

Three new performance measures were found to have weaknesses limiting their usefulness (Table 5.1).

<sup>69</sup> Department of Justice and Community Safety, Response to the 2021–22 Budget Estimates General Questionnaire, pp. 87–90.

<sup>70</sup> Ibid., pp. 39, 87–90; Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 288.

<sup>71</sup> Department of Justice and Community Safety, Response to the 2021-22 Budget Estimates General Questionnaire, pp. 153-154.

**Table 5.1** Issues with problematic new performance measures (2021-22)

Output	New performance measure	Issues identified by PAEC		
Gambling and Liquor Regulation (Quantity)	Proportion of high-harm breaches resulting in regulatory action	Replaces the discontinued measure 'court and regulatory action undertaken by VCGLR'. While the Committee supports the rationale behind the new performance measure, the new and discontinued performance measure are not one and the same. One relates to high harm breaches and regulatory action as a proportion, while the other captures a broader range of activities undertaken.		
		Replacing the discontinued performance measure will result in a loss of performance information within the budget papers.		
Community Crime Prevention	Percentage of funded initiatives that support local communities to	This performance measure will demonstrate what percentage of funded initiatives meet at least one objective of the initiative.		
(Quality)	deliver innovative crime and community safety solutions in local areas; promote the development and delivery of collaborative, partnership approaches to crime prevention; or build community capability through knowledge sharing and strengthened relationships	The utility of this measure is limited as it only reflects a basic minimum standard of performance (meeting an objective associated with the funding) rather than a desired quality of service.		
Community Crime Prevention (Timeliness)	Outcomes of Crime Prevention funded projects published within 12 months of project completion	The Committee supports the inclusion of this performance measure but notes this measure and the other two new measures for the output do not measure outcomes of specific funded crime prevention programs or indicate whether crime has been prevented through funded programs.		
		The performance of funded crime prevention initiatives continues to be unclear, limited and lacking in transparency in the budget papers.		

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery, Melbourne*, 2021, p. 369; Department of Justice and Community Safety, *Response to the 2021–22 Budget Estimates General Questionnaire*, received 26 May 2021, pp. 89–90; Victorian Auditor-General's Office, *Measuring and Reporting on Service Delivery, Melbourne*, 2021, p. 49; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2019–20 Budget Estimates*, October 2019, p. 174.

**RECOMMENDATION 19:** The Department of Justice and Community Safety address the issues raised with the three new performance measures introduced in 2021–22 and identified by the Committee.

# **5.8.2** Department wide: analysis of proposed discontinued performance measures

DJCS identified four performance measures for discontinuation in the 2021–22 Budget.<sup>72</sup> The Committee supports the discontinuation of two of the four measures as one measure relates to a program that is no longer funded, and one is replaced with a more

<sup>72</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 396.

comprehensive performance measure.<sup>73</sup> Table 5.2 outlines the issues with the two remaining performance measures to be discontinued.

**Table 5.2** Issues with performance measures proposed for discontinuation (2021–22)

Output	Discontinued performance	Issues identified by PAEC
	measure	
Emergency Management Capability	Multi agency joint procurements of systems or equipment	The department has not provided a clear rationale to support the claim that this measure is no longer 'fit for purpose'.
(Quality)		Further, the department states the measure does not accurately represent cooperation across the emergency management sector, however it is unclear how the department measures and demonstrates cooperation. There are no other performance measures within the output that measure such a metric.
Gambling and Liquor Regulation (Quantity)	Court and regulatory action undertaken by VCGLR	See Table 5.1—replaced by the new measure 'proportion of high-harm breaches resulting in regulatory action'.

Source: Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, pp. 290-291, 396.

**FINDING 50:** The Department of Justice and Community Safety proposed four performance measures for discontinuation in 2021–22. The Committee supports the discontinuation of two measures and considers the remaining measures should be reviewed.

**RECOMMENDATION 20:** The Department of Justice and Community Safety review the two discontinued performance measures outlined by the Committee.

**73** Ibid.

# 6 Department of Transport

#### 6.1 Overview

The Department of Transport (DoT) supports the ministerial portfolios of Transport Infrastructure, Public Transport, Roads and Road Safety, Ports and Freight and Fishing and Boating. The department's mission is to 'meet the aspirations of Victorians for an integrated transport system that contributes to an inclusive, prosperous and environmentally responsible state.'

DoT is responsible for the following policy objectives:

- · reliable and people-focused transport services
- safe and well-regulated transport services
- · deliver investments that achieve social and economic benefits
- sustainably managed fish and boating resources.<sup>2</sup>

# **6.2** Financial analysis

DoT has the fourth largest budget of the departments, comprising 10% of all 2021–22 output funding or \$6.9 billion of a total \$69.1 billion.<sup>3</sup> The department is expected to report an operating surplus of \$537 million in 2021–22, up from a revised budget deficit of \$147 million in 2020–21.<sup>4</sup>

DoT's output funding in 2021–22 is 9% lower than the \$7.6 billion allocation provided in the 2020–21 Budget.<sup>5</sup> The outputs most affected by funding decline in year on year funding are:

- Transport Infrastructure—by 40.6%
- Road Asset Management—by 23.6%
- Tram Services—by 20.2%.6

In contrast, output funding for Transport Safety and Security increased by 38.9% in the 2021–22 Budget.<sup>7</sup>

<sup>1</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, p. 327.

<sup>2</sup> Ibid., pp. 327-328.

<sup>3</sup> Ibid., pp. 143–390 (Committee calculation).

<sup>4</sup> Department of Treasury and Finance, Budget Paper No. 5: 2021-22 Statement of Finances, Melbourne, 2021, p. 140.

<sup>5</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 329.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

DoT's output appropriation for 2021–22 was \$5 billion, down from \$8.6 billion in 2020–21.8 The department stated in its response to the Committee's questionnaire that the primary drivers of this decline are the cessation of the capital asset charge (CAC) and additional funding received in the 2020–21 financial year for COVID-19 impacts on public transport.9

Discontinuing the CAC reduced DoT's 2021–22 total output funding from \$9.7 billion to \$6.9 billion.<sup>10</sup> The nature of the CAC and reasons for its discontinuation are discussed in further detail in Chapter 11.

Grants and other transfers (down 75% on 2020–21) and Other operating expenses (down 17% on 2020–21) were similarly affected by the CAC discontinuation and COVID-19 support in 2020–21. Besides output appropriations, all components of DoT's income from transactions increased on 2020–21 levels. The department attributed the forecast growth for 2021–22 in Sale of goods and services (up 250% on 2020–21) and Special appropriations (up 15% on 2020–21) to the effect of the COVID-19 pandemic having significantly decreased farebox and ticketing revenues in 2020–21.

DoT's Fair value of assets and services received free of charge was \$708 million in 2021–22, an increase of \$284 million since 2020–21.<sup>14</sup> The department indicated in its response to the Committee's questionnaire that this is primarily due to 'the assets received from the Cross Yarra Partnership relating to the Metro Tunnel for the additional costs borne by the operator as part of the Metro Tunnel settlement.'<sup>15</sup>

The department informed the Committee that it did not receive any funding through Treasurer's Advances as part of the 2020–21 Budget process. <sup>16</sup> The 2021–22 budget papers include \$296.2 million for the 2020–21 output initiative *Coronavirus (COVID-19) impacts on the transport network*. <sup>17</sup> This output was intended to 'offset the impact of lower revenue for train, tram and bus operators', continue public transport service delivery, and provide additional cleaning and traffic management associated with health directives in 2020–21. <sup>18</sup>

<sup>8</sup> Department of Transport, Response to the 2021-22 Budget Estimates General Questionnaire, received 24 May 2021, p. 17.

<sup>9</sup> Ibid

<sup>10</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, pp. 331-346.

<sup>11</sup> Department of Transport, Response to the 2021-22 Budget Estimates General Questionnaire, pp. 17-18 (Committee calculation).

<sup>12</sup> Ibid. (Committee calculation).

<sup>13</sup> Ibid. (Committee calculation).

<sup>14</sup> Ibid., p. 18 (Committee calculation).

**<sup>15</sup>** Ibid.

<sup>16</sup> Ibid. p. 46.

<sup>17</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 107.

<sup>18</sup> Ibid., p. 108.

## **6.3** Capital spend

The total estimated investment (TEI) for DoT's capital projects portfolio, across the forward estimates and beyond, is \$46.5 billion. <sup>19</sup> By contrast, the TEI of DoT's new and existing capital projects in 2019–20 was \$46.9 billion. <sup>20</sup> In 2021–22 DoT's projects comprise 66% of the general government capital program. <sup>21</sup>

The budget papers show that the department has \$45.8 billion in existing projects and the 2021–22 Budget added \$696 million spread across 17 new projects.<sup>22</sup> The department will spend an estimated \$8 billion in 2021–22.<sup>23</sup> This is a 16.8% increase on estimated capital spending in 2019–20.<sup>24</sup>

Among its existing capital projects, four projects comprise 75% of DoT's TEI.<sup>25</sup> These projects are:

- North East Link: TEI of \$15.4 billion
- Level Crossing Removal program: TEI of \$6.7 billion
- 75 by 2025 (Level Crossing Removal): TEI of \$6.6 billion
- West Gate Tunnel Project: TEI of \$6.3 billion.<sup>26</sup>

# 6.4 Transport Infrastructure and the Suburban Rail Loop: key issues

The Minister for Transport Infrastructure and the Suburban Rail Loop (SRL) is responsible for the Transport Infrastructure output.<sup>27</sup> In 2021–22 the output is allocated \$378.1 million in funding, a decrease of \$258.3 million (40.6%) compared to the 2020–21 Budget.<sup>28</sup>

New output initiatives in this year's budget include *Capacity improvements to Wyndham Vale and Melton* (\$22 million in 2021–22); *Improving transport connections to Fishermans Bend* (\$15 million, 2021–22 to 2022–23); and *Public transport accessibility and amenity upgrades* (\$9.9 million, 2021–22 to 2022–23).<sup>29</sup>

<sup>19</sup> Department of Treasury and Finance, Budget Paper No. 4: 2021–22 State Capital Program, Melbourne, 2021, p. 105.

<sup>20</sup> Department of Treasury and Finance, Budget Paper No. 4: 2019–20 State Capital Program, Melbourne, 2019, p. 82.

<sup>21</sup> Department of Treasury and Finance, Budget Paper No. 4: 2021-22, p. 26 (Committee calculation).

<sup>22</sup> Ibid., pp. 98-99, 105.

<sup>23</sup> Ibid., p. 105.

<sup>24</sup> Ibid.; Department of Treasury and Finance, *Budget Paper No. 4: 2019–20*, p. 82 (Committee calculation). No Budget Paper No 4: State Capital Program was produced for 2020–21.

<sup>25</sup> Department of Treasury and Finance, Budget Paper No. 4: 2021–22, pp. 100–105 (Committee calculation).

<sup>26</sup> Ibid., pp. 100-105.

<sup>27</sup> Department of Transport, Response to the 2021–22 Budget Estimates General Questionnaire, p. 90.

<sup>28</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 329 (Committee calculation).

<sup>29</sup> Ibid., p. 108 (Committee calculation).

Key issues relating to the Transport Infrastructure and the SRL portfolio are discussed below.

#### **6.4.1** Victoria's infrastructure portfolio: international comparison

The budget papers state that Government infrastructure investment is projected to average \$22.5 billion a year over the budget and forward estimates, emphasising that this is more than four times the 10-year average to 2014–15.<sup>30</sup> The Minister for Transport Infrastructure and the SRL quoted from the budget papers that, with such a large portfolio of works, 'it is inevitable that there will be changes in project costs and completion dates.' <sup>31</sup> Moreover:

overall the program meets expectations and that there are 1141 existing budget-funded projects that show only a 3 per cent variance in increased project costs, and 16 per cent of projects had a variance on completion time frames measured over a two-year period.<sup>32</sup>

The Minister also referenced benchmarking work from the Office of Projects Victoria (OPV) which, according to the budget papers, compared the 117 Victorian projects valued at over \$100 million to 379 large scale transport and social infrastructure projects undertaken across 14 Organisation for Economic Co-operation and Development (OECD) nations.<sup>33</sup> The Minister's presentation to the Committee showed that, based on this benchmarking:

- Victorian projects had an average cost overrun of 4% compared to 59% for the OECD sample.
- Approximately 28% of Victorian projects had completion date overruns compared to 32% for the OECD sample.<sup>34</sup>

The Committee notes that the Government has not publicly released the OPV review referred to in the budget papers and by the Minister.

**RECOMMENDATION 21:** The Department of Treasury and Finance consider publicly releasing the Office of Projects Victoria's benchmarking review of Victorian major projects against international projects.

<sup>30</sup> Department of Treasury and Finance, Budget Paper No. 4: 2021–22, p. 1.

<sup>31</sup> Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, 2021–22 Budget estimates (Transport Infrastructure and Suburban Rail Loop) hearing, Melbourne, 17 June 2021, *Transcript of evidence*, p. 10.

**<sup>32</sup>** Ibid.

<sup>33</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2021–22*, p. 19; Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, *Transcript of evidence*, p. 4.

<sup>34</sup> Hon Jacinta Allan MP, 2021–22 Budget estimates hearing presentation: Transport Infrastructure and the Suburban Rail Loop, supplementary evidence, received 16 June 2020, p. 8; Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, *Transcript of evidence*, pp. 4, 10.

#### **6.4.2** Level Crossing Removal and alliance contracting

At the budget estimates hearing the Minister spoke about the *Level Crossing Removal* (LCR) project and its delivery mechanism through the alliance contracting model.

The objective of the LCR project is to remove 75 level crossings by 2025.<sup>35</sup> The Minister stated that 46 level crossings have been removed, which is two more than the December 2020 tally.<sup>36</sup> The Minister added that the project as a whole has 'completed 59 per cent of its work and spent 55 per cent of its budget'.<sup>37</sup> Based on a TEI of \$13.3 billion, this would place project expenditure at around \$7.3 billion.<sup>38</sup>

However, the Minister did not elaborate on the cost associated with individual level crossings removed.<sup>39</sup> The department explained that this is due to the alliance contracting procurement method used on the LCR project.<sup>40</sup> Alliance contracting is a relatively new procurement method that the department explained in its response to the Committee's questionnaire.<sup>41</sup> The department listed the benefits of this procurement model as follows:

- The State is an active participant—specifically, the State, with other participants, has management and control of project outcomes.
- Risk and opportunities are shared rather than allocated to one party.
- Project costs are fully open book and transparent, and the State has earlier visibility of true delivery cost.
- Participants are motivated to deliver efficiently because savings against the forecast project cost are shared among participants.<sup>42</sup>

The department identified four primary risks associated with alliance contracting: it is generally more resource intensive for the State, there is no fixed contract price, the State has exposure to time and cost overruns, and pricing is set via benchmarking as opposed to through a competitive tender process.<sup>43</sup>

<sup>35</sup> Department of Transport, Response to the 2021–22 Budget Estimates General Questionnaire, p. 10.

<sup>36</sup> Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, Transcript of evidence, p. 3; Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020–21 Budget Estimates, April 2021, Melbourne, p. 120.

<sup>37</sup> Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, Transcript of evidence, p. 6.

The figures used here add together the TEI as reported in the questionnaire for the 75 by 2025 project and the *Level Crossing Removal* program. Source: Department of Treasury and Finance, *Budget Paper No. 4: 2021–22*, pp. 100–101 (Committee calculation)

<sup>39</sup> Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, Transcript of evidence, p. 6; Mr Richard Riordan MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Transport Infrastructure and Suburban Rail Loop) hearing, Melbourne, 17 June 2021, Transcript of evidence, p. 6.

**<sup>40</sup>** Mr Kevin Devlin, Chief Executive Officer, Level Crossing Removal Project, 2021–22 Budget estimates (Transport Infrastructure and Suburban Rail Loop) hearing, Melbourne, 17 June 2021, *Transcript of evidence*, p. 8.

<sup>41</sup> Department of Transport, Response to the 2021–22 Budget Estimates General Questionnaire, pp. 38–40.

**<sup>42</sup>** Ibid., p. 38.

<sup>43</sup> Ibid., pp. 39-40.

The Government views alliance contracting as a successful procurement model and has, over the past year, extended its use to maintenance and upkeep projects for suburban roads and some regional roads.<sup>44</sup>

**FINDING 51:** The Department of Transport has evaluated alliance contracting as a successful procurement model based on its performance in the *Level Crossing Removal* program. The department plans on expanding its use into road maintenance and upkeep programs.

The cost associated with LCR projects was one of the primary topics during the public hearing for Transport Infrastructure. When questioned about this issue<sup>45</sup>, the department declined to provide actual expenditure to date broken down by individual sites.<sup>46</sup> The department explained that it could not release these figures, stating that publishing these costs would compromise the State's position in negotiating competitive prices for future projects.<sup>47</sup>

The department further explained that alliance contracts for the LCR are awarded as

a five-year contract with a further five-year extension, and subject to good performance each of the five parties who have a master contract have work orders that are then progressively priced, so that is why we want that competitive tension in not just matching actual costs outturn.<sup>48</sup>

In short, the department will not release the expenditure per LCR site because the overall project is ongoing and involves an ongoing contracting process. The department added that actual expenditure is tracked internally on a per-site basis and the contract price for each crossing is published on the LCR website once agreed.<sup>49</sup>

**FINDING 52:** As part of the *Level Crossing Removal* project, the Department of Transport internally tracks actual expenditure for each crossing removed. The department does not publicly disclose actual expenditure for each site because the alliance contracting method relies upon awarding multiple packages of work based on performance.

A recent audit by the Victorian Auditor-General's Office (VAGO) found that, as of 30 June 2020, the LCR project had completed 35 sites and spent \$1.3 billion of its \$2.2 billion risk provision to address cost escalation pressures.<sup>50</sup>

<sup>44</sup> Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, *Transcript of evidence*, p. 12.

<sup>45</sup> Mr Richard Riordan MP, Public Accounts and Estimates Committee, *Transcript of evidence*, p. 8.

<sup>46</sup> Mr Kevin Devlin, Chief Executive Officer, Level Crossing Removal Project, Transcript of evidence, p. 8.

<sup>47</sup> Ibid

<sup>48</sup> Ibid, p. 30.

<sup>49</sup> The website referenced by the department is <a href="https://levelcrossings.vic.gov.au">https://levelcrossings.vic.gov.au</a>. Source: Ibid., pp. 8-9, 29.

<sup>50</sup> Victorian Auditor-General's Office, Follow up of Managing the Level Crossing Removal Program, Melbourne, October 2020, pp. 1, 6 (Committee calculation).

Notably, VAGO found that the LCR project has taken steps to address its recommendations from a 2017 audit with the single exception that DoT did not prepare a business case or cost-benefit analysis for the last 25 of the 75 level crossing sites.<sup>51</sup>

The Committee noted in its *Report on the 2019–20 Budget Estimates* that the department had accepted the findings of the 2017 audit, including the requirement to produce a business cases before approving High Value High Risk projects like the LCR.<sup>52</sup>

#### 6.4.3 Business cases

The Committee considered the release of the business cases for the Mordialloc Freeway and the South Yarra station upgrade, noting that these cases—while completed—had not been made public. The Minister responded that there are a range of different types of business cases that are subject to different processes but agreed that, ultimately, public disclosure of business cases is at the discretion of cabinet.<sup>53</sup>

In relation to the business case for SRL, the Minister stated that 'We put that proposition forward to the Victorian community [at an election]. That position was clearly supported by the Victorian community' by the re-election of the Government.<sup>54</sup>

# **6.5** Public Transport: key issues

The Public Transport portfolio is supported by five outputs.<sup>55</sup> Two of these outputs —Regulation of Commercial Passenger Vehicle Services and Transport Safety and Security—are shared with the Roads and Road Safety portfolio.<sup>56</sup> The sum of these outputs is \$3.9 billion, which is 5% less than the 2020–21 Budget (Figure 6.1).<sup>57</sup>

**<sup>51</sup>** Ibid., pp. 3, 5.

<sup>52</sup> Parliament of Victoria. Public Accounts and Estimates Committee. Report on the 2020–21 Budget Estimates. pp. 120–121.

<sup>53</sup> Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, *Transcript of evidence*, p. 24.

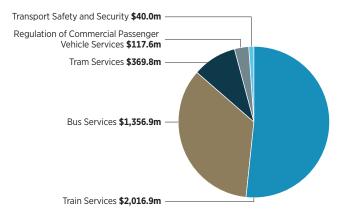
**<sup>54</sup>** Ibid., p. 33.

<sup>55</sup> Department of Transport, *Response to the 2021–22 Budget Estimates General Questionnaire*, pp. 90–95; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020–21 Budget Estimates*, p. 121.

<sup>56</sup> Department of Transport, *Response to the 2021–22 Budget Estimates General Questionnaire*, pp. 90–95. The Transport Safety and Security output is common to all Transport portfolios.

<sup>57</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 329 (Committee calculation).

Figure 6.1 Public Transport portfolio—funding by output, 2021–22



Source: Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, p. 329 (Committee calculation).

The two shared outputs in this portfolio are discussed in Section 6.6 of this chapter. Key issues relating to the Public Transport portfolio are discussed below.

#### **6.5.1** Public transport investment

The 2021–22 Budget included 10 new asset initiatives—totalling \$2.2 billion TEI—for outputs supporting the Public Transport portfolio.<sup>58</sup> \$985.8 million in TEI has been allocated to acquiring 25 new X'Trapolis 2.0 trains and \$367.6 million to provide the maintenance infrastructure for the *Next Generation Trams* currently under construction.<sup>59</sup>

The 2020–21 Budget included \$1.4 billion for the construction of 100 new trams.<sup>60</sup> The Minister informed the Committee that these investments bring the Government's total investment in rolling stock to \$7.5 billion since December 2014.<sup>61</sup>

**FINDING 53:** The 2021–22 Budget includes \$2.2 billion in total estimated investment funding for the Public Transport portfolio. The largest component of this funding is \$985.8 million for the acquisition of 25 new X'Trapolis 2.0 trains.

The Minister informed the Committee that the department is taking action to 'build customer confidence in public transport' that has been undermined by COVID-19.<sup>62</sup> During the pandemic bus usage fell by around 70%, metropolitan trains fell by 60%

This calculation excludes the South Dynon train maintenance facility, the total estimated investment of which is yet to be confirmed. Source: Ibid., p. 114 (Committee calculation).

<sup>59</sup> Ibid., pp. 114, 118-119.

<sup>60</sup> Hon Ben Carroll MP, Building the Transport Network and Jobs of the Future, media release, 20 May 2021.

<sup>61</sup> Hon Ben Carroll MP, Minister for Public Transport, 2021–22 Budget estimates (Public Transport) hearing, Melbourne, 17 June 2021, *Transcript of evidence*, p. 3.

**<sup>62</sup>** Ibid., p. 3.

and trams to 53% below pre-pandemic levels.<sup>63</sup> The Minister noted that volumes had improved but there 'has been a flight back to the motor vehicle' and away from public transport.<sup>64</sup> To counteract this trend:

On 31 January we delivered 450 additional weekly services. This is the most significant upgrade to our timetable since the opening of the city loop. These extra services help passengers maintain physical distancing when travelling on the network.<sup>65</sup>

Other measures to incentivise public transport use included a temporary 30% off-peak discount from 30 January 2021 and a new crowd capacity indicator to give passengers real-time information about volumes on their preferred transport routes.<sup>66</sup> The latter measure, which is called Ridespace, was implemented in January 2021 and is allocated \$9.4 million between 2020–21 and 2021–22.<sup>67</sup>

#### **6.5.2** Accessibility of the tram network

The Minister also highlighted a new initiative to upgrade the accessibility of public transport facilities.<sup>68</sup> A member of the Committee pointed out that the October 2020 VAGO audit of Melbourne's tram network found that 73% of its tram stops are non-level access, making them inaccessible for people with mobility issues.<sup>69</sup> The Committee's 2019–20 Budget Estimates report made the same finding.<sup>70</sup> The Member contrasted these findings with the department's 2021–22 target of upgrading four tram stops to include level access.<sup>71</sup>

The Committee found in its *Report on the 2020–21 Budget Estimates* that the Victorian Government is at risk of not meeting the *Disability Standards for Accessible Public Transport 2002* (DSAPT) compliance requirements by 2032.<sup>72</sup>

**FINDING 54:** The 2021–22 Budget includes funding for four new level-access tram stops. 73% of Victorian tram stops are non-level access, which makes them unfit for purpose for those with a disability.

**<sup>63</sup>** Ibid., p. 7.

<sup>64</sup> Ibid.

<sup>65</sup> Ibid., p. 3.

**<sup>66</sup>** Ibid.

<sup>67</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, pp. 107, 112.

<sup>68</sup> Hon Ben Carroll MP, Minister for Public Transport, Transcript of evidence, p. 4.

The Committee member quoted 75% but the VAGO report specifies 73% of tram stops have non-level access.

Source: Mr Sam Hibbins MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Public Transport) hearing, Melbourne, 17 June 2021, *Transcript of evidence*, p. 8; Victorian Auditor-General's Office, *Accessibility of Tram Services*, 2020, <a href="https://www.audit.vic.gov.au/report/accessibility-tram-services">https://www.audit.vic.gov.au/report/accessibility-tram-services</a> accessed 30 June 2021.

<sup>70</sup> Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020-21 Budget Estimates, p. 128.

<sup>71</sup> Mr Sam Hibbins MP, Public Accounts and Estimates Committee, Transcript of evidence, p. 8; Department of Treasury and Finance, Budget Paper No. 3, p. 338.

<sup>72</sup> Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020-21 Budget Estimates, p. 125.

The Minister informed the Committee that there are two factors relating to the accessibility of the tram network, the first being tram stop design and the second being high-floor trams. The Minister indicated that the previous years' investment in 100 new trams 'will help us retire many of the old high-floor trams as well as bring in the new low-floor trams. The Minister agreed we need to do more in this space' and that the Government had accepted in principle all of the recommendations in the VAGO audit report. The Government is currently reviewing where the four new level access tram stops will be placed.

The Committee notes that the *Next Generation Trams* project that will deliver 100 new low-floor trams is not due for completion until quarter 4 of 2028–29.<sup>77</sup> The tram network comprises some 1,700 tram stops, approximately 420 of which are currently deemed accessible.<sup>78</sup> Based on these figures, the Committee is unclear how the department will bring the network into alignment with DSAPT by December 2022.

**RECOMMENDATION 22:** The Department of Transport review its overarching plan for the tram network with a view to reaching compliance with the *Disability Standards for Accessible Public Transport 2002* as soon as possible.

#### **6.5.3** Services procured for public transport

The 2021–22 Budget includes \$296.2 million for COVID-19 impacts on the transport network, which is a retrospective payment for expenditure incurred in 2020–21.<sup>79</sup> The allocation was intended to offset the revenue impact of COVID-19 for service operators, as well as pay for additional cleaning services.<sup>80</sup>

The 2020–21 Budget included \$438.1 million for DoT's public transport COVID-19 response.<sup>81</sup> These two figures are additional to the \$234.8 million in emergency advances<sup>82</sup> paid to DoT in 2019–20 to cover COVID-19 related expenses.<sup>83</sup> The Minister confirmed for the Committee that, while no allocation has been made in the 2021–22 Budget for similar costs this financial year, 'we will continue to fund additional cleaning.'<sup>84</sup>

<sup>73</sup> Hon Ben Carroll MP, Minister for Public Transport, *Transcript of evidence*, p. 8.

**<sup>74</sup>** Ibid.

**<sup>75</sup>** Ibid.

<sup>76</sup> Ibid., p. 9

<sup>77</sup> Department of Transport, Response to the 2021–22 Budget Estimates General Questionnaire, p. 42.

<sup>78</sup> Yarra Trams, Facts & figures, <a href="https://yarratrams.com.au/facts-figures">https://yarratrams.com.au/facts-figures</a> accessed 25 July 2021.

<sup>79</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 107.

<sup>80</sup> Ibid., p. 108.

<sup>81</sup> Ibid., p. 127.

<sup>82</sup> Note: Emergency funding could be in the form of Treasurer's Advances or temporary advances. Source: Victorian Auditor-General's Office, *Accessing Emergency Funding to Meet Urgent Claims*, 24 November 2020, <a href="https://www.audit.vic.gov.au/report/accessing-emergency-funding-meet-urgent-claims">https://www.audit.vic.gov.au/report/accessing-emergency-funding-meet-urgent-claims</a> accessed 25 August 2021.

<sup>83</sup> Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2019–20 financial and performance outcomes, Melbourne, May 2021, p. 68.

<sup>84</sup> Hon Ben Carroll MP, Minister for Public Transport, Transcript of evidence, p. 9.

**FINDING 55:** Between 2019–20 and 2020–21, the Department of Transport expended \$969.1 million in payments to offset the impact of COVID-19 on public transport operators and passengers.

**RECOMMENDATION 23:** The Department of Transport detail funding of COVID-19 related public transport costs in future budget papers.

## 6.6 Roads and Road Safety: key issues

The Roads and Road Safety portfolio is supported by four outputs, which collectively received \$2.6 billion in the 2021–22 Budget.<sup>85</sup> Two of these outputs—Regulation of Commercial Passenger Vehicle Services and Transport Safety and Security—are shared with the Public Transport portfolio.<sup>86</sup> The output Road Asset Management was funded with \$616.9 million in the 2021–22 Budget, a 24% decrease from the previous budget.<sup>87</sup> Transport Safety and Security received \$40 million, up 39% from 2020–21.<sup>88</sup>

The 2021–22 Budget includes \$222 million in new output initiative funding for the Roads and Road Safety portfolio over the forward estimates, 71% of which is allocated to the Road Operations output.<sup>89</sup> The 2021–22 Budget also includes \$532.8 million TEI in asset initiatives for the Road Operations output.<sup>90</sup>

Key issues relating to the Roads and Road Safety portfolio are discussed below.

#### **6.6.1** Road technology and fines

The department listed the 2020–21 *Keeping Victorians Moving* program as one of its high priority initiatives in response to the Committee's questionnaire.<sup>91</sup> The initiative is worth \$340 million and is aimed at maximising arterial road performance and minimising unnecessary delays via dedicated on-road technologies.<sup>92</sup>

The Minister informed the Committee that 520 CCTV cameras, 193 bluetooth detectors, 26 permanent visual message boards, 27 dynamic pedestrian detectors and two vehicle detectors have so far been installed under this program.<sup>93</sup> The Minister also

<sup>85</sup> Department of Transport, Response to the 2021-22 Budget Estimates General Questionnaire, pp. 90-95; Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 329 (Committee calculation).

<sup>86</sup> Department of Transport, Response to the 2021-22 Budget Estimates General Questionnaire, pp. 90-95.

<sup>87</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 329.

<sup>88</sup> Ibid.

<sup>89</sup> Ibid., p. 107 (Committee calculation).

<sup>90</sup> Ibid., p. 114 (Committee calculation).

<sup>91</sup> Department of Transport, Response to the 2021–22 Budget Estimates General Questionnaire, p. 6.

<sup>92</sup> Ibid., p. 6; Hon Ben Carroll MP, Minister for Roads and Road Safety, 2021–22 Budget estimates (Roads and Road Safety) hearing, Melbourne, 17 June 2021, *Transcript of evidence*, p. 3.

<sup>93</sup> Ibid.

informed the Committee that the COVID-19 pandemic has 'dramatically altered the way Melburnians move around our city', with significantly increased traffic on roads.<sup>94</sup>

The Minister was questioned regarding increased traffic fines in 2020–21 (despite restricted community activity during the COVID-19 pandemic). He was also questioned about an increase in forecast traffic fines for 2021–22.95 The Minister responded that the projected increase is likely based on new efforts to detect illegal mobile phone use, more drug and alcohol detection tests, and higher use of motor vehicles than before the pandemic.96

#### **6.6.2** Victorian Road Safety Strategy

The 2021–22 Budget includes \$55.8 million over the forward estimates for the implementation of the first Action Plan of the *Victorian Road Safety Strategy* 2021–2030. A further \$330 million in TEI is allocated to related asset initiatives.<sup>97</sup>

The Minister informed the Committee that the goal of the Strategy is to eliminate deaths on Victorian roads by 2050, with an interim goal of halving road deaths by 2030.98 The 5-year average for road deaths in Victoria is 152.99 As of 11 August 2021 the road toll for the year was 136.100

The Minister noted that there is a role for regulation and law enforcement when it comes to road safety, but there are also other factors involved such as focusing on vulnerable road users such as bicyclists and groups that are over-represented in road trauma and deaths.<sup>101</sup>

The first Action Plan of the Strategy, which is funded in the 2021–22 Budget, includes allocation for further research and development as well as a targeted approach to vulnerable road users, such as food delivery drivers and older drivers.<sup>102</sup>

# **6.7** Ports and Freight: key issues

The portfolio of Ports and Freight is supported by a single output. The Ports and Freight output received \$97.4 million in the 2021–22 Budget, up 2.5% from 2020–21.<sup>103</sup> The following two output initiatives were funded in this years' budget:

**<sup>94</sup>** Ibid., p. 2

<sup>95</sup> Mr James Newbury MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Roads and Road Safety) hearing, Melbourne, 17 June 2021, *Transcript of evidence*, p. 9.

<sup>96</sup> Hon Ben Carroll MP, Minister for Roads and Road Safety, Transcript of evidence, p. 9.

<sup>97</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 107, 114, 118 (Committee calculation).

<sup>98</sup> Hon Ben Carroll MP, Minister for Roads and Road Safety, *Transcript of evidence*, p. 3.

<sup>99</sup> Transport Accident Commission, *Lives Lost – Year to Date*, 2021, <a href="https://www.tac.vic.gov.au/road-safety/statistics/lives-lost-year-to-date">https://www.tac.vic.gov.au/road-safety/statistics/lives-lost-year-to-date</a> accessed 12 August 2021.

<sup>100</sup> Ibid.

<sup>101</sup> Hon Ben Carroll MP, Minister for Roads and Road Safety, *Transcript of evidence*, pp. 3, 16.

<sup>102</sup> Department of Transport, Response to the 2021–22 Budget Estimates General Questionnaire, p. 24.

<sup>103</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 329.

- Sustainable local ports—\$5.8 million over 2021–22 and 2022–23
- Mode Shift Incentive Scheme—\$3.6 million in 2021-22.104

Key issues relating to the Ports and Freight portfolio are discussed below.

#### **6.7.1** Establishment of Ports Victoria

During the budget estimates hearing, the Minister informed the Committee that the department has established the new entity—Ports Victoria—to lead the strategic management and operation of Victorian commercial ports and waterways. <sup>105</sup> Ports Victoria is an amalgamation of the Victorian Regional Channels Authority and the Victorian Ports Corporation Melbourne. <sup>106</sup> The new entity has been operational since 1 July 2021. <sup>107</sup>

The creation of Ports Victoria is a response to the Victorian Government's independent review of the Victorian Ports System.<sup>108</sup> The Minister for Ports and Freight informed the Committee that the Government would release a full response to the review later in 2021.<sup>109</sup>

#### **6.7.2** Mode Shift Incentive Scheme

The *Mode Shift Incentive Scheme* encourages the transfer of freight from road to rail to reduce congestion and improve safety for road users.<sup>110</sup> The Minister informed the Committee that over the past six years the Government has invested more than \$30 million in the project.<sup>111</sup>

The Committee asked the Minister why—given the long-term investment in the project—freight volumes moved out of Melbourne ports via rail have declined according to the Australian Competition and Consumer Commission (ACCC).<sup>112</sup> The 2019–20 *Container Stevedoring Monitoring Report* from the ACCC indicates that the percentage of freight transported by rail from Melbourne container ports has declined from approximately 12.5% in 2011–12 to 7.5% in 2019–20.<sup>113</sup>

<sup>104</sup> Ibid., p. 107 (Committee calculation).

<sup>105</sup> Hon Melissa Horne MP, Minister for Ports and Freight, 2021–22 Budget estimates (Ports and Freight) hearing, Melbourne, 17 June 2021, Transcript of evidence, p. 2; Victoria Ports Melbourne, VPCM and VRCA to combine as Ports Victoria, 3 March 2021, <a href="https://www.vicports.vic.gov.au/News/Pages/ports-victoria-establishment.aspx">https://www.vicports.vic.gov.au/News/Pages/ports-victoria-establishment.aspx</a> accessed 28 July 2021.

<sup>106</sup> Department of Transport, Response to the 2021-22 Budget Estimates General Questionnaire, p. 85.

<sup>107</sup> Hon Melissa Horne MP, Minister for Ports and Freight, *Transcript of evidence*, p. 2.

<sup>108</sup> Victoria Ports Melbourne, VPCM and VRCA to combine as Ports Victoria.

<sup>109</sup> Hon Melissa Horne MP, Minister for Ports and Freight, *Transcript of evidence*, p. 2.

<sup>110</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 110.

<sup>111</sup> Hon Melissa Horne MP, Minister for Ports and Freight, *Transcript of evidence*, p. 3.

<sup>112</sup> Mr Richard Riordan MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Ports and Freight) hearing, Melbourne, 17 June 2021, Transcript of evidence, p. 5.

<sup>113</sup> Australian Competition & Consumer Commission, Container stevedoring monitoring report 2019–20, Canberra, October 2020, p. 26.

The Minister replied that freight volumes have increased significantly over the period and the Port of Melbourne is in the process of building an 'on-dock rail solution' to support higher rail freight volumes. <sup>114</sup> The Minister added that 'we need to lift the rail freight task, and that is something that this government has recognised for a number of years, because our freight task is set to double in the next 30 years'. <sup>115</sup> The on-dock rail solution is due for completion in 2023. <sup>116</sup>

**FINDING 56:** The proportion of freight moved out of Melbourne ports via rail has declined by 5% over the period 2011–12 to 2019–20. The Government is currently investing in on-dock rail infrastructure in Melbourne to help support greater rail transport of freight.

## 6.8 Fishing and Boating: key issue

The portfolio of Fishing and Boating is supported by a single output called 'Sustainably Managed Fish and Boating Resources'.<sup>117</sup> This output received \$72.8 million in output funding in 2021–22.<sup>118</sup> The following two output initiatives were funded in this years' budget:

- Better boating facilities—\$19.2 million over the forward estimates
- Fisheries investment plan—\$10.8 million over the forward estimates.

The first of these initiatives is dedicated to improving local boating facilities and working with local councils to remove boat ramp parking and launching fees at public boat ramps. The Minister told the Committee that in light of a significant increase in drownings during the 2020–21 summer, the Boating Safety and Facilities Fund would be used to prioritise safe boating investments. The Boating Safety and Facilities Fund would be used to prioritise safe boating investments.

The second output initiative provides funding to the Shepparton fish hatchery to produce an additional 1.6 million fish stock for Victorian waters per year.<sup>122</sup>

<sup>114</sup> The Minister is referring to the Port Rail Transformation Project (PRTP). More details on the PRTP can be found at <a href="https://www.portofmelbourne.com/port-operations/rail-operations">https://www.portofmelbourne.com/port-operations/rail-operations</a>. Source: Hon Melissa Horne MP, Minister for Ports and Freight, *Transcript of evidence*, p. 5.

<sup>115</sup> Ibid.

**<sup>116</sup>** Ibid.

<sup>117</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 329.

<sup>118</sup> Ibid.

<sup>119</sup> Ibid., p. 107.

<sup>120</sup> Ibid., p. 110.

<sup>121</sup> Hon Melissa Horne MP, Minister for Fishing and Boating, 2021–22 Budget estimates (Fishing and Boating) hearing, Melbourne, 17 June 2021, *Transcript of evidence*, p. 2.

<sup>122</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 110.

## **6.9** Performance measures

#### 6.9.1 Department wide: analysis of new performance measures

DoT added 11 new performance measures in the 2021–22 Budget, four of which replaced discontinued measures.<sup>123</sup> The performance target for 45 existing performance measures has been modified in the 2021–22 Budget.<sup>124</sup> Table 6.1 below summarises the issues that the Committee identified with these measures, ordered by relevant output.

**Table 6.1** Issues with new performance measures (2021–22)

Output	New performance measure	Issues identified by PAEC	
Road Operations (Quantity)	High risk driver reviews	This measure quantifies the number of active participants in the <i>Alcohol Interlock Program</i> , <i>Behaviour Change Program</i> , <i>Medical &amp; Driver Review</i> , and <i>Safe Driver Program</i> .	
		The measure as currently configured reflects detection of high-risk drivers by law enforcement but not how effective these programs are or their impact on driver safety. The Committee recommends that this measure should be complemented with a quality measure for repeat participants and participant surveys regarding quality.	
Road Operations (Quantity)	Road vehicle safety certificates issued	This new measure is a sound addition, particularly as a complement to the new 'vehicle safety inspections' measure.	
		However, it needs some clarification regarding what specific certificates are included in this measure i.e. does this measure include roadworthy certificates? Certificates of compliance? Certificates of conformity?	

Source: Department of Transport, Response to the 2021–22 Budget estimates general questionnaire, received 24 May 2021, pp. 50–54.

# **6.9.2** Department wide: analysis of proposed discontinued performance measures

DoT identified five performance measures in Appendix A of the budget papers for discontinuation in the 2021–22 Budget.<sup>125</sup>

The Committee supports the department's rationale for the five measures.

<sup>123</sup> Department of Transport, Response to the 2021–22 Budget Estimates General Questionnaire, pp. 50–54.

<sup>124</sup> Ibid., pp. 55-75.

<sup>125</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 399.

# 7 Department of Families, Fairness and Housing

#### 7.1 Overview

The Department of Families, Fairness and Housing (DFFH) was established on 1 February 2021. DFFH supports four ministerial portfolios transferred from the former Department of Health and Human Services (DHHS)—Child Protection, Prevention of Family Violence, Housing, and Disability, Ageing and Carers. DFFH further supports five ministerial portfolios transferred from the Department of Premier and Cabinet—Multicultural Affairs, LGBTQI+ Equality, Veterans, and the offices for Women and Youth.<sup>1</sup>

DFFH's four objectives are: Victorians are safe and secure, Victorians have the capabilities to participate, Victorians are connected to culture and community and Engaged citizens.<sup>2</sup>

# **7.2** Financial analysis

In 2021–22, DFFH will receive \$6.5 billion in output funding, representing 9.3% of total government output funding.<sup>3</sup> This is a decrease of 2.1%, from the \$6.6 billion allocated in the 2020–21 Budget.<sup>4</sup>

DFFH's budgeted output appropriations is \$6.5 billion in 2021–22 compared to \$2.5 billion in 2020–21 (revised estimate). Responding to the Committee's questionnaire, DFFH stated 'there are no comparative figures for the 2020–21 Budget as the department was not established until 1 February 2021'. The Committee notes that the budget papers provide revised figures for the year 2020–21. The budget papers state that 'the 2020–21 revised budget and 2021–22 budget reflect the impact of the machinery of government changes effective from 1 February 2021'. The key variances are outlined in Table 7.1.

<sup>1</sup> Hon Daniel Andrews MP, New Departments To Deliver A Healthier, Fairer Victoria, media release, 30 November 2020.

<sup>2</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, pp. 199–200.

<sup>3</sup> Ibid., p. 201 (Committee calculation).

<sup>4</sup> Ibid., p. 201.

<sup>5</sup> Ibid., p. 202.

<sup>6</sup> Department of Families, Fairness and Housing, *Response to the 2021–22 Budget Estimates General Questionnaire*, received 26 May 2021, p. 33.

<sup>7</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, pp. 201–202.

<sup>8</sup> Department of Treasury and Finance, Budget Paper No. 5: 2021-22 Statement of Finances, Melbourne, 2021, p. 101.

# **Table 7.1** Department of Families, Fairness and Health—key variances between 2020–21 and 2021–22

Line item	2020-21 Revised <sup>a</sup>	2021-22 Budget	Variance
	(\$ million)	(\$ million)	(%)
Output appropriations	2,454	6,478	164.0
Employee benefits	291	705	142.3
Grants and other transfers	1,114	3,121	180.2
Other operating expenses	1,163	2,781	139.1

a. The 2020-21 revised estimates reflect the five months the department was operational for. Source: Department of Families, Fairness and Housing, correspondence, 25 August 2021.

Source: Department of Treasury and Finance, Budget Paper No. 5: 2021-22 Statement of Finances, Melbourne, 2021, p. 101.

The department's three largest output initiatives in the 2021-22 Budget are:

- Maintaining the foundations of the children and families system—\$1 billion over the next four years
- Homelessness services—\$193.7 million over the next four years
- Public health and local place-based delivery—\$152.9 million in 2021–22.9

Like the Department of Health (DH), DFFH does not have a savings target in the 2021–22 Budget.<sup>10</sup>

# 7.3 Child Protection: key issue

The Minister for Child Protection is responsible for one output, Child Protection and Family Services, with total output funding of \$1.8 billion in 2021–22.<sup>11</sup> The 2021–22 Budget allocates \$1.2 billion over the next four years to four output initiatives.<sup>12</sup>

The 2021–22 Budget allocates \$1 billion over the forward estimates to the *Maintaining* the foundations of the children and families system initiative.<sup>13</sup> The Budget states that one of the expected outcomes of the initiative is to divert 'vulnerable children and families from statutory services.'<sup>14</sup>

The 2021–22 Budget further allocates \$70.3 million over 2021–22 and the forward estimates to the *Early intervention and diversion* initiative.<sup>15</sup> The initiative will provide

<sup>9</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 46 (Committee calculation).

<sup>10</sup> Department of Families, Fairness and Housing, Response to the 2021-22 Budget Estimates General Questionnaire, p. 107.

<sup>11</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 201; Department of Families, Fairness and Housing, Response to the 2021–22 Budget Estimates General Questionnaire, p. 151.

<sup>12</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 46 (Committee calculation).

<sup>13</sup> Ibid., p. 46.

**<sup>14</sup>** Ibid., p. 48.

<sup>15</sup> Ibid., pp. 46-47.

a range of early intervention programs to divert more families from involvement in the children and families system and statutory interventions.<sup>16</sup>

The Minister explained it will 'provide families with the support they need to remain strong and to slow the demand for [a] statutory child protection response.'17

Several performance measures are outlined in the budget papers such as the number of children in care placements, the number of children in foster care and the number of children in residential care, <sup>18</sup> however the number of families that were assisted and the number of children diverted through the *Early intervention and diversion* initiative is unclear. Chapter 11 of this report discusses the Early Intervention Investment Framework in more detail.

**FINDING 57:** \$1.2 billion is provided for four new Child Protection output initiatives over the forward estimates. The initiatives *Maintaining the foundations of the children and families system* and *Early intervention and diversion* (combined allocation of \$1.1 billion) aim to divert children from care.

#### **7.3.1** Reducing representation of Aboriginal children in care

The 2021–22 Budget does not report on the number of Aboriginal children represented in the State's child protection system.

The Australian Institute of Health and Welfare reports that for 2019–20, Victoria has a rate ratio<sup>19</sup> of 10.5 Indigenous children receiving child protection services to non-Indigenous children receiving child protection services.<sup>20</sup>

As at 30 June 2020, 1.7% of children were identified as Indigenous in Victoria.<sup>21</sup> It was acknowledged that there is an over representation of Aboriginal children in care. The Minister advised that the representation of First Nations children in care placements is approximately 25% overall.<sup>22</sup>

<sup>16</sup> Ibid., pp. 46-47.

Hon Luke Donnellan MP, Minister for Child Protection, 2021–22 Budget estimates (Child Protection) hearing, Melbourne, 18 June 2021, Transcript of evidence, p. 4.

<sup>18</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 203–204.

<sup>19</sup> In child protection Australia reporting, rate ratios are mainly used to compare Indigenous and non-Indigenous rates, and to provide a measure of the level of Indigenous over-representation. Source: Australian Institute of Health and Welfare, Child protection Australia 2019–20 Appendixes B to E, Canberra 2021, p. 68.

<sup>20</sup> Australian Institute of Health and Welfare, Child protection Australia 2019-20, Supplementary data table (online) Table S2.3: Children receiving child protection services, by age group, Indigenous status and state or territory, 2019-20, Canberra, 2021.

<sup>21</sup> Australian Institute of Health and Welfare, Child protection Australia 2019–20, Table P3: Population of children aged 0–17, by year, age group, Indigenous status and state or territory, as at 30 June 2016 to 2020 (number), Canberra, 2021 (Committee calculation).

<sup>22</sup> Hon Luke Donnellan MP, Minister for Child Protection, *Transcript of evidence*, pp. 1,4; This was previously mentioned in the Committee's *Report on the 2020–21 Budget Estimates*. Source: Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020–21 Budget Estimates*, April 2021, Melbourne, p. 74.

The Maintaining the foundations of the children and families system initiative includes \$31.5 million to transfer case management of vulnerable Aboriginal children to Aboriginal Community Controlled Organisations (ACCOs).<sup>23</sup>

The budget papers also outlined that ACCOs will receive funding to give 400 Aboriginal families access to Koorie Supported Playgroups and In-Home Parent Coaching to support the home learning environments of young Aboriginal children.<sup>24</sup>

**RECOMMENDATION 24:** The Department of Families, Fairness and Housing introduce performance measures to report the number of Victorian Aboriginal children in care.

## 7.4 Prevention of Family Violence portfolio: key issues

The Minister for the Prevention of Family Violence is responsible for two outputs, Family Violence Service Delivery (funding in 2021–22: \$555.1 million) and Primary Prevention of Family Violence (funding in 2021–22: \$27.5 million).<sup>25</sup>

\$225.9 million for eight new output initiatives were outlined in the 2021–22 Budget, with funds allocated to 2021–22 and over the forward estimates. The largest initiative is *Information sharing and family violence risk assessment and management reform* with a total funding allocation of \$97 million over the next four years.<sup>26</sup>

## **7.4.1** Family Violence in multicultural communities

The Royal Commission into Family Violence (the Commission) highlighted that people from diverse backgrounds, including from culturally and linguistically diverse communities 'face multiple and intersecting barriers to reporting family violence as well as in finding appropriate help and support.'<sup>27</sup> The Commission made several recommendations to improve the accessibility of family violence services and to expand 'understanding of the complexity of family violence ... to enable [service providers] to respond effectively to the needs of ... people from culturally and linguistically diverse communities.'<sup>28</sup>

More recently, the Family Violence Implementation Monitor (FVIM) stated that 'multicultural and faith communities [face] disproportionate and unique challenges as a result of the coronavirus (COVID-19) pandemic.'<sup>29</sup> The Victorian Multicultural

Hon Luke Donnellan MP, 2021–22 Budget estimates hearings presentation: Child Protection, supplementary evidence, received 18 June 2021, pp. 4–5.

<sup>24</sup> Department of Treasury and Finance. Budget Paper No. 3: 2021–22. pp. 47.

<sup>25</sup> Ibid., p. 201; Department of Families, Fairness and Housing, Response to the 2021–22 Budget Estimates General Questionnaire,

<sup>26</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 46 (Committee calculation).

<sup>27</sup> Royal Commission into Family Violence, *Summary and Recommendations*, Melbourne, March 2016, p. 32.

<sup>28</sup> Ibid., p. 33

<sup>29</sup> Family Violence Reform Implementation Monitor, Report of the Family Violence Reform Implementation Monitor as at 1 November 2020, Melbourne, May 2021, p. 122.

Commission stated that the COVID-19 pandemic amplified existing areas for concern for multicultural communities including employment, mental health, racism and vilification, family violence and access to culturally appropriate services.<sup>30</sup>

The FVIM also stated that short-term funding has made it difficult to retain the workforce to sustain service delivery to multicultural communities.<sup>31</sup>

The Committee inquired into how much of the 2021–22 Budget's family violence initiatives, valued at \$225.9 million, will be directed towards multicultural communities.<sup>32</sup> The Minister explained that this was difficult to quantify as funding was embedded across the system including in 'mainstream' services.<sup>33</sup>

The *Multicultural COVID-19 family violence program* outlined in the 2020–21 Budget, funds 'ethno-specific, faith and multicultural organisations ... to deliver family violence awareness, prevention and early intervention activities.'<sup>34</sup> An expected total of \$2.4 million will be spent by 30 June 2021, with \$1.3 million already expended in 2019–20. The grant will not be extended into 2021–22.<sup>35</sup> This grant provides support to 'multicultural women and families who were at heightened risk of family violence during the coronavirus (COVID-19) pandemic response.'<sup>36</sup> DFFH explained that this program provides an intersectional approach to family violence service delivery.<sup>37</sup> Intersectionality is defined as 'different aspects of a person's identity that can expose [that person] to overlapping forms of discrimination and marginalisation'.<sup>38</sup>

The initiative *Multicultural COVID-19 Family Violence Program,* which supports these groups, is not allocated funds for extension beyond 2020–21.

**FINDING 58:** The 2020–21 Budget's *Multicultural COVID-19 Family Violence Program*, valued at \$2.4 million, supports an intersectional approach in family violence service delivery. This program is not allocated funds for extension beyond 2020–21.

**<sup>30</sup>** Victorian Multicultural Commission, *Annual Report 2019–20*, Melbourne, 2020, p. 14.

<sup>31</sup> Family Violence Reform Implementation Monitor, Report of the Family Violence Reform Implementation Monitor as at 1 November 2020, p. 41.

<sup>32</sup> Mr Sam Hibbins MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Prevention of Family Violence) hearing. Melbourne. 18 June 2021. *Transcript of evidence*. pp. 4–5.

Hon Gabrielle Williams MP, Minister for Prevention of Family Violence, 2021–22 Budget estimates (Prevention of Family Violence) hearing, Melbourne, 18 June 2021, *Transcript of evidence*, p. 4.

<sup>34</sup> Department of Families, Fairness and Housing, Response to the 2021-22 Budget Estimates General Questionnaire, p. 93.

<sup>35</sup> Ibid

<sup>36</sup> Ibid.

**<sup>37</sup>** Ibio

<sup>38</sup> Victorian Government, Intersectionality and family violence, 5 March 2021, <a href="https://www.vic.gov.au/victorian-family-violence-data-collection-framework/intersectionality-and-family-violence">https://www.vic.gov.au/victorian-family-violence-data-collection-framework/intersectionality-and-family-violence</a> accessed 5 August 2021.

#### **7.4.2** Perpetrator accountability

#### Men's behaviour change programs

The 2021–22 Budget initiative, *Perpetrator accountability*, allocates \$18.1 million over 2021–22 and the forward estimates.<sup>39</sup> Funds are provided to deliver perpetrator interventions, research on how to change behaviour and prevent family violence, and deliver men's behaviour change programs.<sup>40</sup>

The Budget allocation for the *Perpetrator accountability* initiative is front ended, with \$12.8 million allocated to 2021–22, \$1.7 million for 2022–23, and \$1.8 million each for 2023–24 and 2024–25. <sup>41</sup> The Minister explained that there is limited evidence globally on the outcomes from men's behaviour change programs. The Minister said that at present the department is researching and assessing which men's perpetrator intervention programs to invest in in the next financial year and it is 'under-evaluated and under-researched as an area'. <sup>42</sup>

DFFH stated that \$7 million of the \$12.8 million over four years will fund men's behaviour change programs in addition to recurring funding from previous budgets.<sup>43</sup>

The performance measure 'number of men participating in the Men's Behaviour Change program' was also discussed at the hearings. 44 Whilst there is a lower than expected outcome in 2020–21 of 2,808 participants compared to a target of 4,000 as a result of COVID-19 impacts, there is an increased target for 2021–22 by 10% to 4,400 which reflects the additional funding in the 2021–22 Budget. 45

The FVIM stated that 'the Department of Justice and Community Safety advised that there can be upwards of 500 offenders on the waiting list for men's behaviour change programs,' <sup>46</sup> and 'No to Violence's survey of 16 Victorian member organisations in August 2020 found there were 1,100 clients on waiting lists.' <sup>47</sup>

<sup>39</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 46.

**<sup>40</sup>** Ibid., p. 51.

**<sup>41</sup>** Ibid., p. 46.

<sup>42</sup> Hon Gabrielle Williams MP. Minister for Prevention of Family Violence. *Transcript of evidence*, p. 5

<sup>43</sup> Ms Eleri Butler, Chief Executive Officer, Family Safety Victoria, 2021–22 Budget estimates (Prevention of Family Violence) hearing, Melbourne, 18 June 2021, *Transcript of evidence*, p. 7.

<sup>44</sup> Mr Danny O'Brien MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Prevention of Family Violence) hearing, Melbourne, 18 June 2021, *Transcript of evidence*, p. 6.

<sup>45</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 208.

**<sup>46</sup>** Family Violence Reform Implementation Monitor, *Report of the Family Violence Reform Implementation Monitor as at 1 November 2020*, pp. 87–88.

**<sup>47</sup>** Ibid.

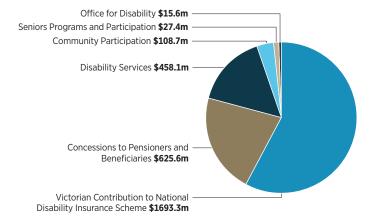
**FINDING 59:** The 2021–22 Budget allocates \$18.1 million over the forward estimates to the *Perpetrator accountability* initiative with \$12.8 million allocated in 2021–22, \$1.7 million in 2022–23, and \$1.8 million in both 2023–24 and 2024–25. Of the \$12.8 million in 2021–22, \$7 million will fund men's behaviour change programs. This funding initiative will also support research and evaluate the effectiveness of men's perpetrator intervention programs to inform further possible investment over the forward estimates.

**FINDING 60:** The target for the performance measure, 'number of men participating in the Men's Behaviour Change program,' increases from 4,000 in 2020–21 to 4,400 in 2021–22, as a result of the increased funding in the 2021–22 Budget to the *Perpetrator accountability* initiative.

# 7.5 Disability, Ageing and Carers portfolio: key issue

The Minister for Disability, Ageing and Carers is responsible for five outputs, with total output funding of \$2.9 billion in 2021–22.<sup>48</sup> This is illustrated in Figure 7.1.

Figure 7.1 Disability, Ageing and Carers portfolio—funding by output, 2021–22



Source: Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021*, p. 201; Department of Families, Fairness, Fairness and Housing, *Response to the 2021–22 Budget Estimates General Questionnaire*, received 26 May 2021, p. 152.

## 7.5.1 Investment in aged care infrastructure

The 2021–22 Budget outlines the capital project—*Rural and Regional Public Sector Residential Aged Care Services Revitalisation Strategy Stage 1* with a total estimated investment (TEI) of \$65 million.<sup>49</sup> The initiative will rebuild the Glenview Community Care aged care facility in Rutherglen and deliver 50 beds.<sup>50</sup>

<sup>48</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 201; Department of Families, Fairness and Housing, *Response to the 2021–22 Budget Estimates General Questionnaire*, p. 152.

<sup>49</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 66.

<sup>50</sup> Ibid., p. 69.

Under the initiative, funds will be provided to undertake detailed planning and design work of the Camperdown and Cohuna public sector aged care facilities.<sup>51</sup> The Minister explained \$2.93 million is allocated to the planning and design work for the Cohuna facility, which will provide 24 beds, 16 of which are residential aged-care beds and eight medical beds.<sup>52</sup> \$4.95 million is provided for the Camperdown facility, which is a 36-bed facility within the Camperdown hospital.<sup>53</sup>

When asked about the investment made in the metropolitan public aged-care sector facilities, the Minister discussed the *Modernisation of Metropolitan Melbourne Public Sector Residential Aged Care Services Strategy: Stage 3 Kingston Project (Cheltenham)*, as an example of a metropolitan aged care infrastructure project.<sup>54</sup> This was an initiative funded in the 2020–21 Budget with a TEI of \$134.6 million and will be completed in 2025–26.<sup>55</sup> The Minister explained that modernisation refers to the practice of replacing multiple facilities held with a small number of beds and bringing them together with a higher quality build.<sup>56</sup> Further, the Minister explained that a significant portion of residents in metropolitan public sector residential aged care services have complex needs—dementia and other psychosocial issues.<sup>57</sup> The new development will have 150 beds and be a dementia-friendly facility to accommodate older Victorians with high care or mental health needs.<sup>58</sup>

While the Commonwealth Government is responsible for the provision of residential aged care services in Victoria, <sup>59</sup> the Victorian Government contributes funding and support for public sector residential aged care services (PSRACS). <sup>60</sup> Most of these services are in rural and regional Victoria, and the centres provide care to older people with more complex, specialised care needs. Victoria 'is the only provider of aged persons' mental health services that specialise in caring for older people with a mental illness and/or persistent cognitive, emotional or behavioural issues. <sup>61</sup>

**FINDING 61:** The 2021–22 Budget initiative, *Rural and Regional Public Sector Residential Aged Care Services Revitalisation Strategy stage 1,* provides \$65 million as total estimated investment to rebuild the Glenview Community Care aged care facility in Rutherglen. The 2020–21 Budget allocated \$134.6 million to the redevelopment of the Kingston Centre in Cheltenham in Melbourne.

- 51 Ibid.
- 52 Hon Luke Donnellan MP, Minister for Disability, Ageing and Carers, 2021–22 Budget estimates (Disability, Ageing and Carers) hearing, Melbourne, 18 June 2021, *Transcript of evidence*, pp. 3–4.
- 53 Ibid.
- 54 Department of Treasury and Finance, Budget Paper No. 4: 2021–22 State Capital Program, Melbourne, 2021, p. 84.
- 55 Ibid
- Hon Luke Donnellan MP, Minister for Disability, Ageing and Carers, Transcript of evidence, pp. 6-7.
- 57 Ibid., p. 8.
- 58 Victorian Health Building Authority, Victorian Budget delivers \$135 million for public sector residential aged care, 25 November 2020, <a href="https://www.vhba.vic.gov.au/news/victorian-budget-2020-21-public-sector-residential-aged-care-investment">https://www.vhba.vic.gov.au/news/victorian-budget-2020-21-public-sector-residential-aged-care-investment</a> accessed 15 August 2021.
- 59 Victorian Government, Residential aged care services, 2020, <a href="https://www2.health.vic.gov.au/ageing-and-aged-care/residential-aged-care">https://www2.health.vic.gov.au/ageing-and-aged-care/residential-aged-care</a> accessed 20 August 2021.
- Victorian Government, Public sector residential aged care services, 2020, <a href="https://www2.health.vic.gov.au/ageing-and-aged-care/residential-aged-care/public-sector-residential-aged-care">https://www2.health.vic.gov.au/ageing-and-aged-care/public-sector-residential-aged-care</a> accessed 20 August 2021.
- 61 Ibid

# **7.6** Housing portfolio: key issues

The Minister for Housing is responsible for the Housing Assistance output (funding in 2021–22: \$1.0 billion).<sup>62</sup>

# 7.6.1 Victoria's Big Housing Build—eligibility and affordability criteria

The 2020–21 Budget introduced *Victoria's Big Housing Build* (VBHB) initiative. This is summarised in Table 7.2.

**Table 7.2** Big Housing Build funds allocated and expected outcomes

	Expected outcomes	2020-21	2021-22	2022-23	2023-24	Total	
		(\$ million)					
Big Housing Build: E	Big Housing Build: Expanded Social Housing Growth Fund (DTF)						
Output initiative	4,200 social housing dwellings	845.0	535.0			1,380.0	
Big Housing Build (I	Big Housing Build (DHHS)						
Output initiative	12,000 new homes	280.7	245.3	124.0	87.0	737.0	
Asset initiative	throughout Victoria. 9,300 social housing properties replacing 1,100 old social housing dwellings. Funding will also develop 2,900 mainly affordable housing dwellings.	1,589.0	911.0	617.0	66.0	3,183.0	
Total						5,300.0	

Notes: DTF refers to the Department of Treasury and Finance. DHHS refers to the Department of Health and Human Services. Amounts allocated to DHHS have been transferred to DFFH, as of 1 February 2021.

Source: Department of Treasury and Finance, Budget Paper No. 3: 2020-21 Service Delivery, Melbourne, 2020, pp. 64, 78, 137.

In the Committee's questionnaire, DFFH stated the department is on track to exceed the target of 1,100 dwellings commenced or purchased by 30 June 2021.<sup>63</sup> DFFH outlined the four-year delivery program of 12,300 homes includes; 1,100 dwellings in 2020–21, 5,000 each in 2021–22 and 2022–23, and 1,200 in 2023–24.<sup>64</sup>

<sup>62</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 201; Department of Families, Fairness and Housing, *Response to the 2021–22 Budget Estimates General Questionnaire*, p. 150.

<sup>63</sup> Department of Families, Fairness and Housing, Response to the 2021-22 Budget Estimates General Questionnaire, p. 6.

<sup>64</sup> Ibid.; Homes Victoria, Victoria's Big Housing Build, Melbourne, November 2020, p. 3.

\$280.7 million was expected to be spent in 2020–21.65 DFFH stated that the actual spend is lagging, although it was not clear by how much. DFFH maintain that the funds will still be spent over future years.66 The Committee notes that there is no information on the outcomes of the VBHB.

**FINDING 62:** The Department of Families, Fairness and Housing has a target to deliver 1,100 social dwellings by the end of 2020–21. There is a lag in spending the allocated funds in the 2020–21 Budget.

**RECOMMENDATION 25:** The Government regularly report on the outcomes of the \$5.3 billion investment allocated to the *Victoria's Big Housing Build* including details regarding allocation of funds, geographic location and the number and type of dwellings to be delivered in each financial year.

The VBHB includes an affordable housing component. However, when asked about the income bands for eligibility of these homes, the Committee was advised that the bands had not been set as yet, despite construction having started at the time of the hearings in June 2021.<sup>67</sup>

The Minister for Disability, Ageing and Carers was asked about the proportion of dwellings that will be made available for people with disability under the VBHB.<sup>68</sup> It was learned that 5% of the 12,000 social housing residences will be highly accessible and therefore suitable for people with disability.<sup>69</sup> Homes Victoria further states that 10% of all net new social dwellings will support Aboriginal housing needs.<sup>70</sup>

**FINDING 63:** The Department of Families, Fairness and Housing has not yet set the income bands for eligibility for the affordable dwellings under the *Victoria's Big Housing Build* initiative.

**RECOMMENDATION 26:** The income bands for eligibility for affordable housing currently being constructed under *Victoria's Big Housing Build* be published as soon as possible.

<sup>65</sup> Department of Treasury and Finance, Budget Paper No. 3: 2020-21 Service Delivery, Melbourne, 2020, p. 64.

<sup>66</sup> Department of Families, Fairness and Housing, Response to the 2021–22 Budget Estimates General Questionnaire, p. 6.

<sup>67</sup> Mr Sam Hibbins MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Housing) hearing, Melbourne, 29 June 2021, *Transcript of evidence*, p. 5; Mr Ben Rimmer, Associate Secretary and Chief Executive Officer, Homes Victoria, 2021–22 Budget estimates (Housing) hearing, Melbourne, 29 June 2021, *Transcript of evidence*, p. 5.

<sup>68</sup> Mr Danny O'Brien MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Disability, Ageing and Carers) hearing, Melbourne, 18 June 2021, *Transcript of evidence*, p. 6.

<sup>69</sup> Mr Ben Rimmer, Associate Secretary and Chief Executive Officer, Homes Victoria, 2021–22 Budget estimates (Disability, Ageing and Carers) hearing, Melbourne, 29 June 2021, *Transcript of evidence*, p. 6; Mr Danny O'Brien MP, *Transcript of evidence*, p. 6.

<sup>70</sup> Homes Victoria, Victoria's Big Housing Build, p. 2.

#### 7.6.2 Homelessness

New output initiatives targeted at homelessness and rough sleepers in the 2021–22 Budget, with \$236.8 million allocated over 2020–21 to 2024–25, comprise:

- Homelessness services—funding to continue programs that support people who are homeless and at risk of homelessness, \$193.7 million.
- Critical additional responses for people experiencing homelessness placed in hotels during the coronavirus (COVID-19) pandemic—to meet housing and support needs of people in emergency accommodation, \$16.9 million.<sup>71</sup>
- Tackling rough sleeping—to provide intensive wrap-around support and services including head-leased properties to people facing long-term homelessness, \$26.2 million.<sup>72</sup>

These three new initiatives are additional to initiatives released in the 2020–21 Budget, totalling \$906 million.<sup>73</sup> As these initiatives are running concurrently, and target overlapping areas, it is difficult to assess the effectiveness of each of the measures.

**FINDING 64:** Three new homelessness and rough sleeping initiatives are introduced in the 2021–22 Budget, valued at \$236.8 million and allocated over 2021–22 to 2024–25. This is on top of three initiatives in the 2020–21 Budget, valued at \$906 million and allocated over 2020–21 to 2023–24.

The Government released *Victoria's homelessness and rough sleeping action plan* (HRSAP) in 2018, to provide 'a framework for reducing the incidence and impacts of rough sleeping.'<sup>74</sup> The Minister at the hearing stated that \$47 million in 2021–22 will be allocated to extend the HRSAP.<sup>75</sup>

While the 2018 plan does not provide targets for homelessness and rough sleeping, it instead provides four themes: intervening early to prevent homelessness, providing stable accommodation as quickly as possible, supporting clients to maintain stable accommodation and building an effective and responsive homelessness service system. <sup>76</sup> Under the HRSAP:

Assertive Outreach Teams will assist 1,459 people each year, by actively engaging
people experiencing entrenched forms of homelessness and disengagement with
social services to assist people into housing, and to connect with specialist services
and community.

<sup>71</sup> The Committee notes that \$19.5 million and \$11.5 million are allocated in 2020–21 and 2021–22 financial year respectively, with negative funds allocated in 2022–23 and 2023–24 years, at a total of \$14.1 million.

<sup>72</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 46.

<sup>73</sup> Initiatives in the 2020–21 Budget comprise: *Big Housing Build* \$737 million over 2020–21 to 2023–24, *Family violence refuge responses* \$18.2 million over 2020–21 to 2021–22, *From Homelessness to a Home* \$150.8 million over 2020–21 to 2023–24, Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020–21*, p. 64.

<sup>74</sup> Department of Health and Human Services, Victoria's homelessness and rough sleeping action plan, January 2018, p. 11.

<sup>75</sup> Hon Richard Wynne MP, Minister for Housing, 2021–22 Budget estimates (Housing) hearing, Melbourne, 29 June 2021, Transcript of evidence, p. 11.

<sup>76</sup> Department of Health and Human Services, Victoria's homelessness and rough sleeping action plan, p. 11.

 Supportive Housing Teams will assist 637 people each year, by providing intensive support to people making the transition from chronic homelessness and rough sleeping to support their placement into longer term housing, and to assist them to maintain this housing.<sup>77</sup>

The Committee discussed the rate of homelessness in the Melbourne central business district (CBD) given the Government's initiative to assist people experiencing homelessness in March 2020.<sup>78</sup> The Minister detailed the assertive outreach services provided<sup>79</sup> and stated that as of November 2020, there were 2,700 individuals living in hotels, of which 709 have exited and 609 are in hotels, moving towards alternative pathways of housing. The Minister acknowledged, 'it is a challenging program.'<sup>80</sup>

**FINDING 65:** Victoria's homelessness and rough sleeping action plan (HRSAP) was released in 2018 to provide a framework for actions undertaken to combat homelessness and rough sleeping. The 2021–22 Budget allocates \$47 million to extend the HRSAP.

**RECOMMENDATION 27:** The targets in *Victoria's homelessness and rough sleeping action plan*, should be referenced in the budget papers. Further, as the plan was released in 2018 it is recommended that updating the plan be considered.

Some performance measures presented in the 2021–22 Budget for the Housing output could be simplified to improve clarity and reduce overlap. For example, the following performance measures all count the number of people assisted with a form of housing:

- Number of clients assisted to address and prevent homelessness.
- Number of clients provided with accommodation.
- Number of households assisted with long-term social housing (public, Aboriginal and community long-term tenancies at end of year).
- Number of family violence victims who receive a refuge response.<sup>81</sup>

The breakdown of the individual cohorts, type and suitability of housing provided are unclear, as is the overarching framework. For example, it is unclear how assisting a client to prevent homelessness differs to providing a client with accommodation. Further, it is unclear if the accommodation is long-term social housing or a temporary refuge.

<sup>77</sup> Victorian Government, Budget allocates \$47m for Homelessness and Rough Sleeping Action Plan, 9 July 2021, <a href="https://fac.dhhs.vic.gov.au/news/budget-allocates-47m-homelessness-and-rough-sleeping-action-plan">https://fac.dhhs.vic.gov.au/news/budget-allocates-47m-homelessness-and-rough-sleeping-action-plan</a> accessed 23 August 2021.

<sup>78</sup> Hon Richard Wynne MP, More Homelessness And Public Housing Support In COVID-19 Fight, media release, 18 March 2020.

<sup>79</sup> Assertive outreach involves workers actively and persistently finding and approaching people sleeping rough where they sleep or frequent to establish a relationship of trust from which support and housing can be considered. Source: Victorian Auditor-General's Office, Victoria's Homelessness Response, September 2020, Melbourne, p. 3.

**<sup>80</sup>** Hon Richard Wynne MP, Minister for Housing, *Transcript of evidence*, p. 10.

<sup>81</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 206–207.

Additionally, performance measures have had modified targets in the 2020–21 and 2021–22 Budgets. This is set out in Table 7.3.

**Table 7.3** Housing output performance measures with modified targets in 2020–21 and 2021–22

Performance measure	2019-20 Target	2020-21 Target	2020-21 Expected outcome	2021-22 Target	Reason for modification
Number of public housing dwellings upgraded during year	1,653	2,665	2,665	2,665	2020–21: Target adjusted to reflect planned maintenance and new government initiatives in response to COVID-19 restrictions.
Total social housing dwellings acquired during the year	1,133	2,284	2,169	1,901	2020–21: Target adjusted to reflect housing acquisitions and new government initiatives in response to COVID-19 restrictions.
					2021–22: Target adjusted to reflect a return to pre-pandemic levels.
Number of clients assisted to address and prevent	118,000	123,000	111,850	107,000	2020–21: Target adjusted for projected demand and funding increases related to COVID-19.
homelessness					2021–22: Target adjusted to reflect a return to pre-pandemic levels.
Number of clients provided with accommodation	27,000	30,000	31,750	30,000	2020–21: Target adjusted for projected demand and funding increases related to COVID-19.
Number of clients assisted to address and prevent	53,000	62,000	52,244	49,000	2020–21: Target adjusted for projected demand and funding increases related to COVID-19.
homelessness due to family violence					2021–22: Target adjusted to reflect a return to pre-pandemic levels.
Number of family violence victims who receive a refuge response	1,012	1,061	824	1,061	2020–21: Target adjusted for planned capital redevelopment and funding provided in the 2020–21 Budget.
Number of nights of refuge accommodation provided to victims of family violence	52,088	54,109	42,893	54,109	2020–21: Target adjusted for planned capital redevelopment and funding provided in the 2020–21 Budget.
Total number of social housing dwellings	87,749	86,000	86,000	87,515	2021-22: Target adjusted to reflect acquisition of additional housing.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery,* Melbourne, 2021, pp. 206–207; Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 Service Delivery,* Melbourne, 2020, pp. 241–242; Department of Families, Fairness and Housing, *Response to the 2021–22 Budget Estimates General Questionnaire*, received 26 May 2021, pp. 131–133; Department of Health and Human Services, *Response to the 2020–21 Budget Estimates General Questionnaire*, received 27 November 2020, pp. 70–94.

Table 7.3 shows that between 2020–21 and 2021–22 the following three Housing performance measure targets have been revised downwards:

- total social housing dwellings acquired during the year (by 16.8%)
- number of clients assisted to address and prevent homelessness (by 13%)
- number of clients assisted to address and prevent homelessness due to family violence (by 21%).

When performance measure targets change from year to year, it is difficult to readily track the progress made over the medium to long term.

**FINDING 66:** Over the 2020–21 and 2021–22 Budgets, eight performance measures in the Housing output have had their targets changed. Changing targets for performance measures makes it difficult to assess progress over the medium to long term.

**RECOMMENDATION 28:** The Department of Families, Fairness and Housing improve performance measures under the Housing output, by reviewing all measures, consolidating measures where appropriate, and clearly defining different cohorts, services provided, and outcomes achieved.

# 7.7 Women portfolio: key issues

The Minister for Women is responsible for the Women's policy output (funding in 2021–22: \$15.7 million).<sup>82</sup>

Some of the key issues that were discussed at the hearing included:

- investment towards ending family violence and progressing gender equality<sup>83</sup>
- women's economic participation in Victoria<sup>84</sup>
- measures to support migrant women's economic security.<sup>85</sup>

<sup>82</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 201; Department of Families, Fairness and Housing, *Response to the 2021–22 Budget Estimates General Questionnaire*, p. 154.

<sup>83</sup> Hon Gabrielle Williams MP, 2021-22 Budget estimates (Women) hearing, Melbourne, 18 June 2021, *Transcript of evidence*, p. 1. 5.

**<sup>84</sup>** Ibid., pp. 2, 3, 10.

**<sup>85</sup>** Ibid., p. 8.

# **7.8** Youth portfolio: key issue

The Minister for Youth is responsible for the Youth output (funding in 2021–22: \$33.7 million).<sup>86</sup>

#### 7.8.1 Programs funded

The 2021–22 Budget allocates \$33.7 million in output funding with \$25.3 million over the next two years allocated for new output funding.<sup>87</sup> In responding to a question taken on notice, DFFH advised that 21 programs will be funded in 2021–22.<sup>88</sup>

The Minister stated that the performance measure 'participation by young people in programs that provide opportunities to be involved in social and economic life in their communities,' (target of 240,000 young people in 2021–22),<sup>89</sup> looks at positive outcomes for young people.

The Minister explained that the Youth portfolio provides 'initiatives that go to providing wraparound supports, protective supports and initiatives that assist with employment outcomes.'90

# 7.9 Multicultural Affairs portfolio: key issues

The Minister for Multicultural Affairs is responsible for the Multicultural affairs policy and programs output (funding in 2021–22: \$54.7 million).<sup>91</sup>

The Multicultural Affairs output has a 39.6% reduction in output funding from \$90.6 million in 2020–21.92 The Minister for Multicultural Affairs explained that this is due to increased expenditure in the 2020–21 year for COVID-19 responses.93

The Minister stated that \$12.1 million was provided as support to multicultural communities in June 2021, as an out-of-budget allocation.<sup>94</sup> These funds were allocated

<sup>86</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 201; Department of Families, Fairness and Housing, Response to the 2021–22 Budget Estimates General Questionnaire, p. 155.

<sup>87</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 47, 201.

<sup>88</sup> Hon Ros Spence MP, 2021–22 Budget Estimates hearing, Melbourne, 16 June 2021, response to questions on notice received 30 June 2021 p. 2

<sup>89</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, pp. 47, 221.

<sup>90</sup> Hon Ros Spence MP, Minister for Youth, 2021–22 Budget estimates (Youth) hearing, Melbourne, 16 June 2021, Transcript of evidence, p. 4.

<sup>91</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 201; Department of Families, Fairness and Housing, *Response to the 2021–22 Budget Estimates General Questionnaire*, p. 155.

<sup>92</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 201.

<sup>93</sup> Hon Ros Spence MP, Minister for Multicultural Affairs, 2021–22 Budget estimates (Multicultural Affairs) hearing, Melbourne, 16 June 2021, *Transcript of evidence*, p. 3.

<sup>94</sup> Ibid., p. 4.

to the *CALD* (culturally and linguistically diverse) Communities Taskforce to 'provide emergency support and vital public health information during the pandemic.'95

DH stated that \$7.4 million was spent on advertising and promoting public health information to multicultural communities in 2020–21, but no funding is allocated for this in 2021–22.96 DH however informed it 'anticipates it will continue to undertake advertising in 2021–22 to support the Government's response to the COVID-19 pandemic.'97

**FINDING 67:** Funding for the advertising and promotion of information related to the COVID-19 pandemic in 2020–21 was \$7.4 million.

#### **7.10** Performance measures

## 7.10.1 Department wide: analysis of new performance measures

DFFH introduced 11 new performance measures in the 2021–22 Budget.<sup>98</sup> Table 7.4 lists the new performance measures with which the Committee identified issues:

#### **Table 7.4** Issues with problematic new performance measures (2021–22)

Output	New performance measure	Issues identified by PAEC
LGBTIQ+ equality policy and programs (Quantity)	Number of people who have attended government supported pride events and festivals	This measure counts in-person attendees, which as a result of COVID-19 restrictions may not be allowed, or people may generally be deterred from attending in-person events.
Multicultural affairs policy and programs (Quantity)	Community participation in multicultural events (attendance at Multicultural Affairs events)	As mentioned by DFFH, this measure could be affected by COVID-19 restrictions as it counts in person attendance.

Source: Department of Families, Fairness and Housing, *Response to the 2021–22 Budget Estimates General Questionnaire*, received 26 May 2021, pp. 109–118; Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery,* Melbourne, 2021, p. 392.

The remaining performance measures are supported as:

- Three measures are introduced relating to Family Violence, which as discussed in Section 7.4, will benefit from improved data and information obtained.
- Six measures replace three measures previously reported on, as the relevant output
  was split into two new outputs.<sup>99</sup>

<sup>95</sup> Hon Ros Spence MP, 2021–22 Budget estimates hearings presentation: Multicultural affairs, supplementary evidence received 16 June 2021. p. 6.

<sup>96</sup> Department of Health. Response to the 2021-22 Budget Estimates General Questionnaire, received 16 June 2021, p. 123.

<sup>97</sup> Ibid

<sup>98</sup> Ibid., pp. 109-118.

<sup>99</sup> Ibid., p. 156.

# **7.10.2** Department wide: analysis of proposed discontinued performance measures

Five performance measures to be discontinued are supported as:

- One measure focused on the LGBTIQ+ Strategy has moved from the consultation to implementation phase.
- One measure was disaggregated into three performance measures in the 2021–22 Budget.
- Three measures are disaggregated into six performance measures to align with an output that is split into two outputs in the 2021–22 Budget.<sup>100</sup>

**RECOMMENDATION 29:** The Department of Families, Fairness and Housing address the shortcomings in two of the new performance measures introduced in the 2021–22 Budget.

# 8 Department of Environment, Land, Water and Planning

#### 8.1 Overview

The Department of Environment, Land, Water and Planning (DELWP) supports the ministerial portfolios of Energy, Environment and Climate Change, Solar Homes, Water, and Planning. The department's mission is to shape and support liveable, inclusive and sustainable communities, and thriving natural environments across Victoria.<sup>1</sup>

# 8.2 Financial analysis

DELWP has the sixth largest budget of the departments, comprising 4.2% of all 2021–22 output funding or \$2.9 billion of a total \$69.1 billion.<sup>2</sup>

By contrast, DELWP was allocated \$3.2 billion output funding in 2020–21, representing a year over year decline of 10.4%.<sup>3</sup> In particular, funding for Planning, Building and Heritage output fell by 26.1%; Solar Homes 24.1%; and Climate Change 23.3%.<sup>4</sup> Parks Victoria and Fire and Emergency Management are the only outputs to receive increased funding in the 2021–22 Budget (8.3% and 4.2% respectively).<sup>5</sup>

However, the 2021–22 decline in funding across a range of DELWP outputs should be contextualised by unusually high funding the year prior. Figure 8.1 shows funding by output in 2021–22 compared to the 2020–21 Budget.

Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, p. 171.

<sup>2</sup> Ibid., pp. 143–390 (Committee calculation).

**<sup>3</sup>** Ibid., p. 174.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

Fire and Emergency Management Solar Homes Planning, Building and Heritage Effective Water Management and Supply Management of Public Land and Forests Energy Land Use Victoria Statutory Activities and **Environment Protection** Parks Victoria **Environment and Biodiversity** Waste and Recycling Climate Change \$ million 0 100 150 450 200 250 300 350 400 2021-22 Budget

Figure 8.1 Department funding by output, 2020–21 Budget vs 2021–22 Budget

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery*, Melbourne, 2021, p. 174; Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 Service Delivery*, Melbourne, 2020, p. 187 (Committee calculation).

Although output funding declined between 2020–21 and 2021–22, DELWP's employee benefits increased 13.9%—from \$534 million to \$608 million in 2021–22. DELWP noted that the increase was driven 'primarily by additional funding received in the 2021–22 Budget for bushfire initiatives'.<sup>6</sup>

The department's expenditure on 'Grants and other transfers' in 2021–22 is estimated at \$1.3 billion, down from the 2020–21 Budget of \$1.6 billion. The department attributed the lower estimate to 'the funding profile for Solar Homes, energy reliability and sustainability and cladding rectification initiatives'—all of which received significant funding in 2021–22—and one-off funding due to the impacts of COVID-19.8

Lastly, 'Other operating expenses' are estimated to fall from \$1 billion in 2020–21 to \$851 million in 2021–22, due to lower supplies and purchases for the *Goulburn Murray Water Connections* project and those initiatives underwritten by the *Sustainability Fund*.9

<sup>6</sup> Department of Environment, Land, Water and Planning, Response to the 2021–22 Budget Estimates General Questionnaire, received 1 June 2021, p. 23.

<sup>7</sup> Department of Treasury and Finance, Budget Paper No. 5: 2021–22 Statement of Finances, Melbourne, 2021, p. 93.

<sup>8</sup> Department of Environment, Land, Water and Planning, Response to the 2021–22 Budget Estimates General Questionnaire, p. 23.

<sup>9</sup> Ibid.

# 8.3 Capital spend

The total estimated investment (TEI) for DELWP's portfolio is \$605.2 million, split over 25 existing and two new capital projects. <sup>10</sup> DELWP has a capital spend of \$201.2 million for the year 2021–22. <sup>11</sup>

The 2021–22 Budget allocates DELWP \$48 million in TEI for new capital projects. \$44 million will go toward the state-wide *Reducing bushfire risk in a rapidly changing climate* project and the remainder to the *Mt Baw Baw Alpine Resort wastewater plant*. <sup>12</sup>

Among its existing capital projects, three projects comprise 51% of DELWP's TEI. These projects are:

- The National Water Infrastructure Development Fund National Partnership Agreement: TEI of \$152.9 million with an estimated completion date of quarter 4 2023–24.
- Werribee Open Range Zoo (Werribee South): TEI of \$83.8 million with an estimated completion date of quarter 4 2024–25.
- Suburban Parks Program (Creating a Ring of New Parkland): TEI of \$70.2 million with an estimated completion date of quarter 4 2022–23.<sup>13</sup>

In addition to departmental capital projects, the State Capital Program lists nineteen water corporations with a TEI capital spend of \$21.1 billion.<sup>14</sup> These entities are public non-financial corporations, but their activities are essential to the achievement of the department's outputs. The 2021–22 Budget included \$7.3 billion for new capital projects by water corporations.<sup>15</sup> A combined total of \$2.2 billion capital expenditure on water treatment, storage and distribution is expected in 2021–22.<sup>16</sup>

# 8.4 Energy, Environment and Climate Change portfolio: key issues

The Minister for Energy, Environment and Climate Change is responsible for eight outputs as shown in Figure 8.1. The total output funding allocated to the portfolio shrunk by \$101.9 million (7%) between 2020–21 and 2021–22.

<sup>10</sup> Department of Treasury and Finance, Budget Paper No. 4: 2021–22 State Capital Program, Melbourne, 2021, p. 76.

<sup>11</sup> Ibid., pp. 74–76; Department of Treasury and Finance, Budget Paper No. 5: 2021–22, p. 95.

<sup>12</sup> Department of Treasury and Finance, Budget Paper No. 4: 2021–22, p. 74.

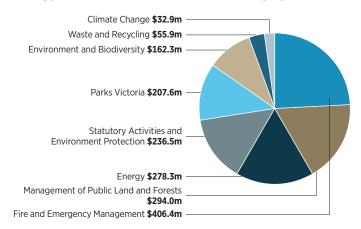
<sup>13</sup> Ibid., pp. 74-76.

<sup>14</sup> Ibid., pp. 125–219 (Committee calculation).

<sup>15</sup> Ibid. (Committee calculation).

<sup>16</sup> Ibid. (Committee calculation).

Figure 8.2 Energy, Environment and Climate Change portfolio—funding by output, 2021–22



Source: Department of Environment, Land, Water and Planning, Response to the 2021–22 Budget Estimates General Questionnaire, received 1 June 2021, pp. 108–119; Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, p. 174 (Committee calculation).

## 8.4.1 Bushfire preparedness

The 2019–20 bushfire season has been described as the worst in Australia's history.<sup>17</sup> In Victoria, the bushfires resulted in five deaths, more than 300 hundred homes destroyed, and 1.5 million hectares of land burnt.<sup>18</sup> The Minister for Energy, Environment and Climate Change noted that 1.2 million hours were spent on firefighting efforts in Victoria during 2019–20.<sup>19</sup>

#### **New funding for Fire and Emergency Management**

The Minister informed the Committee that the 2021–22 Budget includes 'the largest ever government investment in forest and fire management' to mitigate future bushfire seasons. <sup>20</sup> The Fire and Emergency Management output received \$406.4 million in 2021–22, whilst the same output received \$390.2 million in 2020–21. <sup>21</sup> Across the full forward estimates the 2021–22 Budget allocates \$475.4 million to three new Fire and Emergency Management initiatives. <sup>22</sup>

Of these initiatives, the two largest are *Reducing bushfire risk in a rapidly-changing climate* (funded for \$339.6 million to 2024–25) and *Enhanced communications during emergencies* (\$133.4 million to 2024–25).<sup>23</sup>

<sup>17</sup> Department of Parliamentary Services, 2019–20 Bushfires: Quick Guide, Melbourne, February 2020, p. 1.

Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, 2021-22 Budget estimates (Energy, Environment and Climate Change) hearing, Melbourne, 17 June 2021, Transcript of evidence, p. 8; Department of Parliamentary Services, 2019-20 Bushfires: Quick Guide, p. 1.

<sup>19</sup> Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, Transcript of evidence, p. 8.

<sup>20</sup> Ibid., p. 9

<sup>21</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 174.

<sup>22</sup> Ibid., p. 36 (Committee calculation).

<sup>23</sup> Ibid.

The Enhanced communications during emergencies initiative seeks to upgrade the communication system from an analogue radio communication system to digital radio system to improve reliability and interoperability of the system. <sup>24</sup> The department is estimated to move to the digital mobile radio system by 30 June 2023. <sup>25</sup>

In 2020–21 DELWP accessed Treasurer's Advances for a total of \$32.7 million for the following two initiatives under the Fire and Emergency Management output:

- \$14.5 million to 'augment Victoria's aviation firefighting fleet', and
- \$18.2 million to 'support necessary bushfire emergency management preparation activities'.<sup>26</sup>

**FINDING 68:** The 2021–22 Budget allocates \$406.4 million in funding for the Fire and Emergency Management output. Three new output initiatives were introduced with a total allocation of \$475.4 million over the next four years. The Department of Environment, Land, Water and Planning accessed a total of \$32.7 million in Treasurer's Advances for the Fire and Emergency Management output in 2020–21.

#### Implementation of review recommendations

The *Reducing bushfire risk in a rapidly changing climate* initiative has four components. Under the initiative the department will:

- continue the Reducing bushfire risk and Safer together programs
- fund the establishment of the Office of Bushfire Risk Management
- increase mechanical and non-burn fuel treatments
- implement the Victorian Traditional Owner Cultural Fire Strategy.<sup>27</sup>

The *Reducing bushfire risk* program is an initiative established in 2017–18 with \$272.3 million in funding phased over the four years to 2020–21.<sup>28</sup> *Safer together* has been DELWP's approach to managing bushfire risk since 2017–18.<sup>29</sup> The *Safer together* program has been extended across the forward estimates at the recommendation of the Inspector-General for Emergency Management (IGEM).<sup>30</sup>

<sup>24</sup> Department of Environment, Land, Water and Planning, Response to the 2021–22 Budget Estimates General Questionnaire, p. 27

<sup>25</sup> Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, *Transcript of evidence*, p. 8.

<sup>26</sup> Department of Environment, Land, Water and Planning, Response to the 2021–22 Budget Estimates General Questionnaire, p. 66.

<sup>27</sup> Ibid., pp. 20, 26.

<sup>28</sup> Department of Environment, Land, Water and Planning, Critical works reduce bushfire risk in north east Victoria, 1 October 2018, <a href="https://www.delwp.vic.gov.au/media-centre/media-releases/critical-works-reduce-bushfire-risk-in-north-east-victoria">https://www.delwp.vic.gov.au/media-centre/media-releases/critical-works-reduce-bushfire-risk-in-north-east-victoria</a> accessed 18 June 2021; Department of Treasury and Finance, Budget Paper No. 3: 2017-18 Service Delivery, Melbourne, 2017, p. 65.

<sup>29</sup> Victoria State Government, Safer together: A new approach to reducing the risk of bushfire in Victoria, Melbourne, 2015, p. 5.

<sup>30</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 36, 41.

The department reports that, under the program, 'Victoria's bushfire residual risk target of 70 per cent has been achieved over the last three years (68 per cent in 2017–18, 69 per cent in 2018–19 and 64 per cent in 2019–20).'<sup>31</sup> The department also noted that 'initial targets for community engagement have been achieved' and pointed to six newly updated regional Bushfire Strategic Plans, the Joint Fuel Management Plans and joint delivery of the first set of Strategic Fuel Breaks as evidence of the program's success at creating a collaborative and unified fire management approach across the State.<sup>32</sup>

However, the Victorian Auditor-General's Office (VAGO) criticised the residual risk target in its *Reducing Bushfire Risks* assurance report. VAGO found that:

reporting against DELWP's BP3 measure to reduce statewide residual risk to 70 per cent or less does not give government agencies, government or the public a complete understanding of the impact of DELWP's fuel management activities on public land.<sup>33</sup>

#### VAGO further noted that:

The government's Safer Together policy commits to holistically measuring the impact of burn and non-burn risk treatments across public and private land by the end of 2020. DELWP and its partner agencies are not on track to meet this commitment.<sup>34</sup>

The Committee notes that DELWP agreed to implement all of VAGO's recommendations. The work associated with the implementation of the recommendations is due for completion in the first half of the 2021–22 financial year.

**FINDING 69:** The 2021–22 Budget includes funding to continue and expand the *Safer together* program, which underpins Victoria's bushfire preparedness activities. The department is in the process of enhancing the risk management and reporting elements of *Safer together*.

During the public hearings the Committee requested further details regarding the phase 1 inquiry that the IGEM is conducting into the 2019–20 bushfire season.<sup>35</sup> The Minister informed the Committee that the phase 1 inquiry—which focussed on preparedness and response—was completed in 2020, that the Government had accepted all of its recommendations, and the recommendations were reflected in the new initiatives funded by the 2021–22 Budget.<sup>36</sup>

As an example, the Minister stated that the Office of Bushfire Risk Management was established as recommended by the IGEM. The new entity will 'lead and coordinate fuel

<sup>31</sup> Department of Environment, Land, Water and Planning, Response to the 2021–22 Budget Estimates General Questionnaire, p. 34.

<sup>32</sup> Ibid., p. 35.

<sup>33</sup> Victorian Auditor-General's Office, Reducing Bushfire Risks, Melbourne, October 2020, p. 3.

<sup>34</sup> Ibid.

<sup>35</sup> Ms Pauline Richards MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Energy, Environment and Climate Change) hearing, Melbourne, 17 June 2021, *Transcript of evidence*, p. 14.

<sup>36</sup> Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, Transcript of evidence, p. 14.

management policy, practice and assurance and reporting on both public and private land.'<sup>37</sup> Establishing the Office of Bushfire Management is funded as one part of an \$89.6 million appropriation in 2021–22.<sup>38</sup> The Government indicated in a press release that \$21 million of the appropriation is earmarked for the Office but further details regarding the ongoing funding and staffing arrangements for the Office are not publicly available.<sup>39</sup>

The Minister also noted that \$22.5 million plus \$6.3 million in funding has been set aside in the 2021–22 Budget to enable the Victorian Aboriginal affairs framework and to implement the traditional owner cultural fire strategy, which was released in May 2020.<sup>40</sup>

The IGEM's phase 2 inquiry, which investigates emergency relief and recovery arrangements, is ongoing and will be handed to Government by 31 July 2021.<sup>41</sup>

**FINDING 70:** The Office of Bushfire Risk Management will be established within the department in 2021–22 as recommended by the Inspector-General for Emergency Management at an approximate cost of \$21 million in 2021–22.

## **8.4.2** Energy and Climate Change

This section deals with the portfolio areas of Energy and Climate Change, as sustainable energy production is key to achieving Victoria's newly announced Climate Change Strategy.

The Climate Change output received total funding of \$32.9 million in 2021–22, a reduction of 23.3% compared to 2020–21.<sup>42</sup> Climate Change received \$10 million in new output funding in 2021–22.<sup>43</sup>

Funding for the department's Energy output is down 17.4% on 2020–21 levels, from \$337 million to \$278.3 million.<sup>44</sup> One of the three new outputs funded is intended to drive the adoption of electric vehicles (EVs), which is a key component of the Government's zero emissions strategy. During the public hearings, the Committee focused on the Government's support for EVs, the *Power Saving Bonus* (PSB), and the reliability of supply across Victoria's energy network.

<sup>37</sup> Ibid., p. 15; Inspector-General for Emergency Management, *Inquiry into the 2019–20 Victorian Fire Season: Summary Report*, Melbourne, 2020, p. 26.

<sup>38</sup> Department of Environment, Land, Water and Planning, Response to the 2021–22 Budget Estimates General Questionnaire, p. 26.

<sup>39</sup> Hon Lily D'Ambrosio MP, Record Investment To Protect Victoria From Bushfire Risk, media release, 8 May 2021.

<sup>40</sup> Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, *Transcript of evidence*, p. 15.

<sup>41</sup> Inspector-General for Emergency Management, *Timing of the Inquiry*, <a href="https://www.igem.vic.gov.au/fire-season-inquiry/timing-of-the-inquiry">https://www.igem.vic.gov.au/fire-season-inquiry/timing-of-the-inquiry</a> accessed 29 June 2021.

<sup>42</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 36.

**<sup>43</sup>** Ibid.

<sup>44</sup> Ibid., p. 174.

#### **Victoria's new Climate Change Strategy**

The 2021–22 Budget allocates \$10 million over two years to the output *Seizing the economic opportunity of a net zero, climate resilient State*.<sup>45</sup> This funding is earmarked to drive progress towards Victoria's emissions reduction targets and will create jobs in clean and competitive industries.<sup>46</sup> The budget papers and department's response to the Committee's questionnaire did not provide details of this initiative.

In May 2021 the Government announced its Climate Change Strategy, which aims to 'reduce emissions by 28–33 per cent [on 2005 levels] by 2025 and 45–50 per cent by 2030' as interim targets on the path to net zero emissions by 2050.<sup>47</sup> The latest data released by the Government shows that 2019 emissions fell to 24.8% below 2005 levels, which places Victoria on track to meet its 2025 target.<sup>48</sup>

The Acting Premier explained to the Committee that the Government has developed six pledges across six sectors to achieve the target of reducing emissions up to 50% by 2030. These sectors include, energy, transport, agriculture, industrial processes, waste and land use forestry.<sup>49</sup>

The Climate Change Strategy is supported in the 2021–22 Budget by:

- \$100 million over the forward estimates to 'transform our transport sector' (discussed in the following section)
- \$20 million to reduce emissions in the agriculture sector
- \$15.3 million invested in the Victorian Carbon Farming Program.<sup>50</sup>

**FINDING 71:** The 2021–22 Budget allocates \$10 million to one new output initiative under the Climate Change output. This funding supports the newly announced Climate Change Strategy and Victoria's transition to a carbon neutral economy.

The Minister for Climate Change informed the Committee that Victoria's 2030 emissions reduction target of 45–50% 'is amongst the strongest in the world'.<sup>51</sup> Victoria's Climate Change Strategy, which is modelled on the Paris Agreement, is currently on track to meet its goal of net zero emissions by 2050.<sup>52</sup> The current average of published global targets, by contrast, suggests that global emissions will 'fall far short' of the

<sup>45</sup> Ibid., p. 36.

**<sup>46</sup>** Ibid.

<sup>47</sup> Hon James Merlino MP, Climate Plan To Cut Emissions And Create Jobs, media release, 2 May 2021; Department of Environment, Land, Water and Planning, Victoria's Climate Change Strategy, Melbourne, May 2021, p. 5.

<sup>48</sup> Department of Environment, Land, Water and Planning, *Victorian Government action on climate change*, 4 June 2021 <a href="https://www.climatechange.vic.gov.au/victorian-government-action-on-climate-change">https://www.climatechange.vic.gov.au/victorian-government-action-on-climate-change</a> accessed 4 July 2021.

**<sup>49</sup>** Hon James Merlino MP, Acting Premier, 2021–22 Budget estimates (Acting Premier) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, p. 30.

<sup>50</sup> Hon Daniel Andrews MP, Climate Plan To Cut Emissions And Create Jobs.

<sup>51</sup> Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, *Transcript of evidence*, p. 25.

<sup>52</sup> Independent Expert Panel, Interim Emissions Reduction Targets for Victoria (2021-2030), Melbourne, March 2019, p. 118.; Department of Environment, Land, Water and Planning, Victoria's Climate Change Framework, Melbourne, 2016, p. 18.

less ambitious target of net zero by around 2070.<sup>53</sup> In other words, Victoria is among a comparatively small number of jurisdictions globally that have outlined a plan to reach net zero emissions by 2050.<sup>54</sup>

Based on the latest advice from the Intergovernmental Panel on Climate Change, if Victoria's targets were replicated on a global scale, global warming would likely be contained to 1.5°C above preindustrial levels, which would engender significant but not catastrophic climate change.<sup>55</sup> The Committee notes that Australia's national targeted reduction of 26% to 28% on 2005 emission levels by 2030 is inconsistent with containing global warming to 1.5°C above preindustrial levels.<sup>56</sup>

**FINDING 72:** Victoria is among a comparatively small number of jurisdictions globally that have outlined a plan to reach net zero emissions by 2050 in an attempt to limit global warming to 1.5°C above preindustrial levels.

#### Promoting the uptake of electric vehicles

The 2021–22 Budget includes \$46.1 million between 2021–22 and 2023–24 for the new output initiative *Zero and low emission vehicles: accelerating adoption.*<sup>57</sup> The Committee inquired how this initiative would help Victorians gain access to EVs.<sup>58</sup> The Minister responded that transport is a key component in meeting the Government's target of net-zero emissions by 2050.<sup>59</sup> Regarding this initiative it was mentioned in particular that the Government is targeting the lower end of the market in terms of the cost of vehicles.<sup>60</sup>

The Minister added that Solar Victoria would be managing the distribution of subsidies.<sup>61</sup> The Solar Victoria guidelines nominate 4,000 subsidies of \$3,000 in the first round of the program—which began in May—and stipulate that only EVs with a dutiable value of less than \$68,740 are eligible.<sup>62</sup> Solar Victoria is currently undertaking consultation to shape the second round of the program. The program will ultimately deliver 20,000 EV subsidies.<sup>63</sup>

<sup>53</sup> United Nations, Nationally determined contributions under the Paris Agreement: Synthesis report by the secretariat, Glasgow, February 2021, p. 5.

<sup>54</sup> As of 23 April 2021, 44 countries and the European Union have pledged net-zero emissions targets – most of these targets are net-zero by 2050. Source: International Energy Agency, Net Zero by 2050: A Roadmap for the Global Energy Sector, June 2021, pp. 32–34.

<sup>55</sup> Intergovernmental Panel on Climate Change, Summary for Policymakers, May 2019, pp. 5-10.

<sup>56</sup> Commonwealth of Australia, Australia's 2030 Emissions Reduction Target, 2015, <a href="https://www.environment.gov.au/system/files/resources/f52d7587-8103-49a3-aeb6-651885fa6095/files/summary-australias-2030-emissions-reduction-target.pdf">https://www.environment.gov.au/system/files/resources/f52d7587-8103-49a3-aeb6-651885fa6095/files/summary-australias-2030-emissions-reduction-target.pdf</a> accessed 4 July 2021.

<sup>57</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 36.

<sup>58</sup> Mr Tim Richardson MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Energy, Environment and Climate Change) hearing, Melbourne, 17 June 2021, *Transcript of evidence*, p. 25.

<sup>59</sup> Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, *Transcript of evidence*, p. 25.

<sup>60</sup> Ibid.

<sup>61</sup> Ibid

<sup>62</sup> Solar Victoria, Zero Emissions Vehicle (ZEV) Subsidy, May 2021, <a href="https://www.solar.vic.gov.au/sites/default/files/2021-05/ZEVS01\_Fact-Sheet\_FINAL.pdf">https://www.solar.vic.gov.au/sites/default/files/2021-05/ZEVS01\_Fact-Sheet\_FINAL.pdf</a> accessed 2 July 2021.

<sup>63</sup> Ibid.

**FINDING 73:** The 2021–22 Budget allocates \$46.1 million over the next three years to encourage the purchase of electric vehicles in the wider community. The 2021–22 Budget includes funding for at least 4,000 and up to 20,000 subsidies valued at \$3,000 each for the purchase of electric vehicles to increase their affordability.

The Minister informed the Committee that the Accelerating adoption initiative is part of a \$100 million investment in the Government's new Zero Emission Roadmap.<sup>64</sup> This package includes:

- \$19 million to accelerate the roll-out of EV charging infrastructure
- \$20 million for a zero-emission public transport bus trial
- \$10 million to replace 400 vehicles in the Victorian Government Fleet (discussed in Chapter 11 in detail)
- \$5 million to establish a Commercial Sector Zero Emission Vehicle Innovation Fund.<sup>65</sup>

The Roadmap requires that EVs comprise 50% of Victorian light vehicle sales by 2030.<sup>66</sup> Between 31 January 2020 and 31 January 2021, passenger vehicle and light commercial vehicle registrations in Victoria grew by 28,074.<sup>67</sup> The Committee was unable to source a verifiable figure for Victorian EV sales in 2020. The January 2019 report of the Federal Select Committee on electric vehicles claims that 1,324 EVs<sup>68</sup> were purchased in Victoria between 2011 and 2017, which corresponds to a yearly average of 189 EVs purchased.<sup>69</sup>

There is currently insufficient publicly available data to assess the feasibility of the Government's EV target. The Committee also notes that the Government will appoint an advisory panel to provide input on policies and infrastructure required to meet the 50% target by 2030 under the *Roadmap*. Nonetheless, based on the data that is available, the Committee estimates that exponential sales growth will be needed to meet the *Roadmap* target. Achieving such growth is likely to require significant additional investment and policy innovation.

<sup>64</sup> Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, Transcript of evidence, p. 25.

<sup>65</sup> Department of Environment, Land, Water and Planning, Zero emissions vehicles, 24 June 2021, <a href="https://www.energy.vic.gov.au/renewable-energy/zero-emissions-vehicles">https://www.energy.vic.gov.au/renewable-energy/zero-emissions-vehicles</a> accessed 3 July 2021. Note: this website contradicts the budget papers by listing the Zero Emissions Vehicle Subsidy program as separate from the Accelerating adoption initiative.

<sup>66</sup> Department of Environment, Land, Water and Planning, Victoria's Zero Emissions Vehicle Roadmap, Melbourne, May 2021, p. 6.

<sup>67</sup> Australian Bureau of Statistics, *Motor Vehicle Census*, *Australia*, cat. no. 9309.0, 31 January 2021, <a href="https://www.abs.gov.au/statistics/industry/tourism-and-transport/motor-vehicle-census-australia/31-jan-2021">https://www.abs.gov.au/statistics/industry/tourism-and-transport/motor-vehicle-census-australia/31-jan-2021</a> accessed 1 July 2021. Note: figure calculated from Table 1 of the data download.

<sup>68</sup> Excluding Tesla vehicle numbers as Tesla does not publicly release its sales figures.

<sup>69</sup> Commonwealth of Australia, Select Committee on Electric Vehicles: Report, Canberra, January 2019, p. 7.

<sup>70</sup> Hon Daniel Andrews MP, Driving Towards A Zero Emissions Vehicle Future.

**RECOMMENDATION 30:** The Department of Environment, Land, Water and Planning (DELWP) add a budget paper performance measure for annual Victorian electric vehicle (EV) sales and the progress DELWP is making towards its long-term target of EVs comprising 50% of Victorian light vehicle sales by 2030.

#### **Power Saving Bonus and energy supply**

The 2021–22 Budget allocates \$62.9 million over the forward estimates to the output initiative *Maintaining essential energy functions*.<sup>71</sup> The program was set to lapse in 2020–21 but has been extended for a range of reasons, most pertinently to enable the Government to 'respond to energy emergencies, minimising and mitigating supply disruptions and associated impacts on businesses, the community and vulnerable people'.<sup>72</sup>

The department informed the Committee that the infrastructure associated with this program has:

resulted in a rapid deployment of the \$250 Power Saver Bonus initiative included in the 2020–21 budget. Without these continued efficiencies this program would have been significantly delayed from the public release date of February 1, 2021.<sup>73</sup>

In 2021–22, the department also updated the performance measure 'vulnerable Victorian energy consumers reached through consumer support programs' from 2,500 to 10,000, primarily to reflect demand for the PSB.<sup>74</sup> The PSB is a one-off payment in 2020–21 that provided direct support to Victorian households experiencing energy bill stress due to the COVID-19 pandemic.<sup>75</sup> The PSB has since been extended in the 2021–22 Budget with the same 10,000 target.<sup>76</sup>

During the public hearing, the Committee asked about the extent and financial backing for the PSB, noting that over 900,000 households are eligible for the payment.<sup>77</sup> The Minister confirmed that, regardless of funding allocation in the 2021–22 Budget, 'every one of those 900-odd thousand Victorians that if they are eligible and they apply between now and the end of January, that application, providing that they are eligible, will be absolutely honoured'.<sup>78</sup>

<sup>71</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 36.

<sup>72</sup> Department of Environment, Land, Water and Planning, Response to the 2021–22 Budget Estimates General Questionnaire, p. 47.

**<sup>73</sup>** Ibid., p. 48.

<sup>74</sup> Ibid., p. 85.

<sup>75</sup> Department of Environment, Land, Water and Planning, \$250 Power Saving Bonus Program – FAQs, 2021, <a href="https://compare.energy.vic.gov.au">https://compare.energy.vic.gov.au</a> accessed 3 July 2021.

<sup>76</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 185.

<sup>77</sup> Mr Richard Riordan MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Energy, Environment and Climate Change) hearing, Melbourne, 17 June 2021, *Transcript of evidence*, p. 4.

<sup>78</sup> Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, Transcript of evidence, p. 4.

**FINDING 74:** The Department of Environment, Land, Water and Planning has updated its 2021–22 performance measures in anticipation of 10,000 applications to the *Power Saving Bonus* program. The Minister for Energy has committed to honour every eligible application to the program regardless of this target or funding in the 2021–22 Budget.

The Minister also informed the Committee that since the launch of the PSB program in February 2021, the department had received over 225,000 applications, approved 210,000 of that number and paid over 185,000 applicants.<sup>79</sup> The Committee notes that these figures are a significant departure from the department's target of 10,000, which shows that the performance measure is in need of revision.

**RECOMMENDATION 31:** The Department of Environment, Land, Water and Planning revise the performance measure 'vulnerable Victorian energy consumers reached through consumer support programs' upward from 10,000 in light of the high take up of the *Power Saving Bonus* in 2021–22.

In response to the Committee's concern that the PSB application process was only accessible online—through the Victorian Energy Compare website—the Minister stated that 'more than 13,000 applications have been submitted over the phone or in person through a number of community organisations that really have that grassroots presence'.80

Finally, considering the mass power outage affecting the State due to storms and flooding in June 2021<sup>81</sup>, the Committee asked whether there are grounds under the licensing requirement of the *Electricity Industry Act 2000* for the Government to demand 'basic minimum service standards that would avoid this [mass outage] happening again.'<sup>82</sup> The Minister responded that it was 'something that I am looking into as we speak'.<sup>83</sup>

# 8.5 Solar Homes portfolio: key issue

The 2021–22 Budget does not include any new output funding for Solar Homes and funding for the portfolio is down 24.1% on the 2020–21 Budget despite the Solar Homes agency commencing operation in 2020–21.84

**<sup>79</sup>** Ibid., p. 5.

<sup>80</sup> Ibid.

<sup>81</sup> Hon James Merlino MP, Supporting Victorian After Storms and Flood, media release, 17 June 2021.

<sup>82</sup> Mr Danny O'Brien MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Solar Homes) hearing, Melbourne, 17 June 2021, *Transcript of evidence*, p. 11.

<sup>83</sup> Hon Lily D'Ambrosio MP, Minister for Solar Homes, 2021–22 Budget estimates (Solar Homes) hearing, Melbourne, 17 June 2021, Transcript of evidence, p. 3.

<sup>84</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 174.

During the public hearings, the department explained that the 2021–22 Budget figures do not constitute a funding cut for the output because the COVID-19 pandemic disrupted the renewable energy market, 'fewer rebates than we were anticipating to occur in the current financial year were actually given out, and that means we need to move that volume of rebates from the current year to the following year.'85 The department emphasised that the 'total value of the scheme is fixed over the 10-year program' and rebates for solar installation 'are available for any Victorian that wants them' regardless of the yearly uptake estimates contained in the budget papers.86

**FINDING 75:** The Solar Homes output funding in 2021–22 Budget saw a 24.1% decline. The funding for this output is fixed over a ten-year period and has been rephased due to the impacts of COVID-19 on community demand for solar technologies.

The Minister for Solar Homes informed the Committee that the *Solar Homes* program aims to support the installation of solar power in over 778,000 Victorian homes and has already approved more than 153,000 rebates, with more than 145 systems installed in Victorian homes.<sup>87</sup> The Minister also highlighted the accessibility of the program, noting that:

two thirds of households supported by the program earn less than \$100 000 a year; 793 solar PV systems have gone to community housing tenancies; and 30 per cent of solar homes households are from regional Victoria.88

The Committee asked the department about uptake for rental properties, noting that *Solar Homes* has an off-budget target of providing 50,000 rebates to renters over ten years. <sup>89</sup> The department responded that it targeted 2,000 rental properties in 2020–21 and had managed to support over 1,400 renter households, with a target of 3,000 in 2021–22. <sup>90</sup> The Committee suggests that this internal target be added to the performance measures for the output so that progress can be publicly assessed.

**FINDING 76:** The Department of Environment, Land, Water and Planning has an internal measure that tracks rebates provided to rental households but this data is not captured in a budget paper performance measure.

In June 2021 VAGO released a report on the effectiveness of the *Solar Homes* program. VAGO found that *Solar Homes* cannot yet report on the extent to which it has reduced

**<sup>85</sup>** Mr Xavier Hinckson, Chief Financial Officer, 2021–22 Budget estimates (Solar Homes) hearing, Melbourne, 17 June 2021, *Transcript of evidence*, p. 5.

<sup>86</sup> Ibid

<sup>87</sup> Hon Lily D'Ambrosio MP, Minister for Solar Homes, *Transcript of evidence*, p. 2.

<sup>88</sup> Ibid

Mr Sam Hibbins MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Solar Homes) hearing, Melbourne, 17 June 2021, *Transcript of evidence*, pp. 6–7.

<sup>90</sup> Mr Stan Krpan, Chief Executive Officer, Solar Victoria, 2021–22 Budget estimates (Solar Homes) hearing, Melbourne, 17 June 2021, *Transcript of evidence*, p. 7

consumer's power bills and carbon emissions.<sup>91</sup> The report recommended that *Solar Homes* complete a business case on the program's value for money proposition and develop performance measures to quantify its effects on Victoria's energy use and carbon emissions.<sup>92</sup> The Committee agrees and further suggests that these quantifying metrics, once developed, should be included in the budget as performance measures.

**RECOMMENDATION 32:** The Department of Environment, Land, Water and Planning add a budget paper performance measure to the Solar Homes output that reflects annual targets for installing solar technologies in rented properties.

**RECOMMENDATION 33:** The Department of Environment, Land, Water and Planning develop metrics to quantify its effects on Victoria's energy use and carbon emissions for inclusion in the Budget as performance measures.

# 8.6 Water portfolio: key issue

The 2021–22 Budget contains four new output initiatives related to the Water portfolio totalling \$44 million over the forward estimates.<sup>93</sup> The output *Safe and sustainable water resources* received \$317.7 million this financial year, a 2.9% increase on the 2020–21 Budget.<sup>94</sup> During the public hearings, a range of issues relating to the Water portfolio were discussed including security from storms, sustainable supply, water buybacks, and the activity of specific water corporations.

The long-term sustainability of Victoria's water supply was one of the primary topics of discussion. The Acting Minister for Water informed the Committee that in 17 of the past 20 years the State has recorded below-average inflow into water storages while the population has increased by 1.5 million:

This means we are already using about 70 gigalitres per annum more than storage inflows, so without desalination orders we would be sitting today at just over 56 per cent of storage volume. The desal has become a normal part of the water supply to keep storages at a healthy level.<sup>95</sup>

The Committee inquired into the recent water order the Government placed with the Victorian Desalination Plant for 2021–22.96 In March 2021 the Government ordered 125 gigalitres of desalinated water to add to Melbourne's water storages, which were

<sup>91</sup> Victorian Auditor-General's Office, *Delivering the Solar Homes Program*, 24 June 2021, <a href="https://www.audit.vic.gov.au/report/delivering-solar-homes-program">https://www.audit.vic.gov.au/report/delivering-solar-homes-program</a> accessed 15 July 2021.

<sup>92</sup> Ibid.

<sup>93</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 37–38.

<sup>94</sup> Ibid., p. 174

<sup>95</sup> Hon Richard Wynne MP, Acting Minister for Water, 2021–22 Budget estimates (Water) hearing, Melbourne, 29 June 2021, *Transcript of evidence*, p. 2.

<sup>96</sup> Ibid., p. 5.

72% full at the time of the order. Ordering water from the Desalination Plant has been an annual occurrence since 2016 and is used to top up water storage levels wherever forecast demand outstrips supply.<sup>97</sup>

The Acting Minister explained that the Government is able to contract 150 gigalitres per annum from the plant and the 2021–22 order cost the Government \$77 million, which 'equates to about \$30 on a typical, average household bill, but it is an investment in the security of our community'. 98 When the 2021–22 desalination water order was announced the Government advised the order would not result in an increase in water bills for Melbourne households. 99

In June 2021 the Essential Services Commission endorsed a pricing plan with Melbourne Water that is estimated to reduce Melbourne metropolitan prices by \$20 in 2021–22.<sup>100</sup> However, within Melbourne Water's pricing model all water orders placed with the desalination plant are automatically passed on to the end user, indicating that water prices are forecast to remain flat due to efficiencies in other parts of Melbourne Water's operation.<sup>101</sup> Significant water orders in the future could still increase household water bills.

# 8.7 Planning portfolio: key issue

The 2021–22 Budget contains four new output initiatives related to the Planning portfolio with a total value of \$28.3 million. The output Planning, Building and Heritage received \$321.1 million in 2021–22, 26.1% less than the previous financial year. Planning approvals, development and building cladding are key topics that were discussed during the public hearing.

#### 8.7.1 Planning delays

\$14 million is allocated over the next two years in the 2021–22 Budget to the initiative *Streamlining for growth*, which aims to reduce delays and capacity constraints around the council approvals process.<sup>104</sup> The 2021–22 Budget indicates that the department significantly underperformed in relation to two performance measures associated with planning approvals:

 Median number of days taken by the department to assess a planning scheme amendment—2020–21 target of 25 days, expected outcome of 70 days.

<sup>97</sup> Melbourne Water, Desalination Order To Secure Our Water Supply For 2021, media release, 31 March 2021.

<sup>98</sup> Hon Richard Wynne MP, Acting Minister for Water, *Transcript of evidence*, p. 5.

<sup>99</sup> Melbourne Water, Desalination Order To Secure Our Water Supply For 2021.

<sup>100</sup> Essential Services Commission, Melbourne Water price review 2021, 22 June 2021, <a href="https://engage.vic.gov.au/melbourne-water-price-review-2021">https://engage.vic.gov.au/melbourne-water-price-review-2021</a> accessed 13 July 2021.

<sup>101</sup> Melbourne Water, *Melbourne Water 2021 price submission – including supplement*, 9 November 2020, <a href="https://engage.vic.gov.au/melbourne-water-price-review-2021">https://engage.vic.gov.au/melbourne-water-price-review-2021</a>>, pp. 26, 32, PS21 Supplement 4-13.

<sup>102</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 37.

<sup>103</sup> Ibid., p. 174.

<sup>104</sup> Ibid., p. 43.

 Planning permit applications for new renewable energy facilities—2020–21 target of 70%, expected outcome of 60%.<sup>105</sup>

The department nominated the effects of COVID-19, higher prescribed and ministerial amendments, and increased workload from the expansion of the Minister's renewables permit responsibilities as reasons for missing these targets. However, the Committee notes that the performance measure 'median number of days taken by the department to assess a planning scheme amendment' has not been met in the past five years, with an average overrun of 30.2 days. The Committee also notes that the average delay in planning schemes increased over this period. DELWP has updated the performance measure to 35 days—from 25 days—in the 2021–22 Budget, but even this changed target reflects a threshold of performance that has not been achieved since 2016–17.

The Minister for Planning acknowledged 'we have to do better, and the budget includes a significant commitment over four years of \$111 million to reform the planning system to create clearer pathways for major projects'.<sup>110</sup>

**FINDING 77:** The Department of Environment, Land, Water and Planning has not met the performance measure 'median number of days taken by the department to assess a planning scheme amendment' in the past five years, with an average overreach of 30.2 days on a 25 day target. The department has updated the performance measure in 2021–22 but the new measure—35 days—is significantly below past performance.

**RECOMMENDATION 34:** Considering the long-term underperformance in this planning policy area, the Department of Environment, Land, Water and Planning revisit the performance measure 'median number of days taken by the department to assess a planning scheme amendment' and reassess whether its planned reforms are sufficient to deliver 35 median days in 2021–22.

<sup>105</sup> Ibid., p. 196.

**<sup>106</sup>** Ibid

<sup>107</sup> Ibid.; Department of Treasury and Finance, Budget Paper No. 3: 2020–21 Service Delivery, Melbourne, 2020, p. 196; Department of Treasury and Finance, Budget Paper No. 3: 2019–20 Service Delivery, Melbourne, 2019, p. 185; Department of Treasury and Finance, Budget Paper No. 3: 2018–19 Service Delivery, Melbourne, 2018, p. 218 (Committee calculation).

<sup>108</sup> Mr Richard Riordan MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Planning) hearing, Melbourne, 29 June 2021, Transcript of evidence, p. 2; Mr James Newbury MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Planning) hearing, Melbourne, 29 June 2021, Transcript of evidence, p. 11.

<sup>109</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 218 (Committee calculation).

<sup>110</sup> Hon Richard Wynne MP, Minister for Planning, 2021–22 Budget estimates (Planning) hearing, Melbourne, 29 June 2021, Transcript of evidence, p. 12.

# 8.8 Performance measures

## 8.8.1 Department wide: analysis of new performance measures

DELWP added 20 new performance measures in the 2021–22 Budget, six of which replaced discontinued measures.<sup>111</sup> Thirty five existing performance measures have been modified in the 2021–22 Budget. Table 8.1 below summarises the issues with these measures by relevant output.

**Table 8.1** Issues with problematic new performance measures (2021–22)

Output	New performance measure	Issues identified by PAEC
Statutory Activities and Environmental Protection	Planning matters responded to within agreed timeframes (Timeliness)	This new measure does not indicate the relevant parties, or whether the timeframes refer to legislative requirements or if this is a simple agreement between the department and other stakeholders. By contrast, the new measure 'applications for internal review of remedial notices completed within statutory timeframes' is clear on these issues.
Heritage :	Planning projects initiated in regional cities and towns to unlock and deliver zoned land supply (Quantity)	As noted by DELWP in the Committee's questionnaire, 'this measure does not report on planning projects completed, as projects can take years to complete'. <sup>a</sup> The Committee notes that this measure could be enhanced by adding a cumulative total of projects initiated and completed over a five-year period or other timeframe the department believes to be more useful for assessing the success of projects initiated.
	Building inspections undertaken by the Victoria Building Authority to identify use of noncompliant cladding materials (Quantity)	The Committee suggests that this measure could be further enhanced by adding an annual total of new sites identified with noncompliant cladding materials. In combination with the other new performance measures this would provide an indication of how many identified noncompliant sites are awaiting remediation.
	Median number of days taken by the department to assess a planning scheme amendment (Timeliness)	This measure has been revised from 25 to 35 days. However, as previously discussed, the long-term underperformance against this metric suggests systemic issues rather than the effects of COVID-19 and increased workload in 2019–20. The Committee suggests revisiting the relevant processes or revising the target in line with historical performance.

a. Department of Environment, Land, Water and Planning, Response to the 2021–22 Budget Estimates General Questionnaire, received 1 June 2021, p. 76.

Source: Department of Environment, Land, Water and Planning, Response to the 2021–22 Budget Estimates General Questionnaire, received 1 June 2021, pp. 69–96.

As discussed in previous sections, the Committee has also recommended the adoption of two additional performance measures that capture important data relating to DELWP's policy outputs (see Section 8.5).

<sup>111</sup> Department of Environment, Land, Water and Planning, Response to the 2021-22 Budget Estimates General Questionnaire, pp. 71-79; Department of Treasury and Finance, Budget Paper No. 3: 2021-22, pp. 390-391.

# 8.8.2 Department wide: analysis of proposed discontinued performance measures

DELWP identified seven performance measures in Appendix A of the budget papers for discontinuation in the 2021–22 Budget. $^{112}$ 

The Committee supports the department's rationale in all cases. Six of the seven discontinued measures have been replaced by updated performance measures that are better suited to current departmental activities.

Regarding the seventh measure—'research published – demographic and spatial trends'—DELWP wrote in the budget papers that the measure is 'no longer relevant', as it is a relic from times when the department produced hardcopy reports on these trends.<sup>113</sup> The department now publishes this information online, through the planning. vic.gov.au website.

<sup>112</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, pp. 390–391.

<sup>113</sup> Ibid., p. 391.

# 9 Department of Jobs, Precincts and Regions

#### 9.1 Overview

The Department of Jobs, Precincts and Regions (DJPR) supports 15 ministerial portfolios: Agriculture, Business Precincts, Community Sport, Creative Industries, Employment, Industry Support and Recovery, Local Government, Trade, Innovation, Medical Research and the Digital Economy, Racing, Regional Development (and Cross Border Coordination), Resources, Small Business, Suburban Development, and Tourism, Sport and Major Events. The department's mission is to create more jobs for more people, build thriving places and regions, and support inclusive communities.<sup>1</sup>

# 9.2 Financial analysis

DJPR has the seventh largest budget of the departments, comprising 4% of all 2021–22 output funding. This equates to \$2.8 billion from a total of \$69.1 billion.<sup>2</sup>

In 2021–22, all thirteen of DJPR's output areas were allocated less than the 2020–21 Budget. However, the 2021–22 decline in funding should be seen in the context of the unusually high funding the year prior, spurred primarily by the COVID-19 pandemic. The main drivers of the comparatively high 2020–21 funding levels were the *Business Support Fund*, the *Economic Survival Package*, and the *Working for Victoria Fund*.<sup>3</sup> These programs combined increased the Jobs output funding by 2,110%, from \$131 million in the 2019–20 Budget to \$2.9 billion in the 2020–21 Budget.<sup>4</sup>

Figure 9.1 shows funding by output in 2021–22 compared to the 2020–21 Budget.

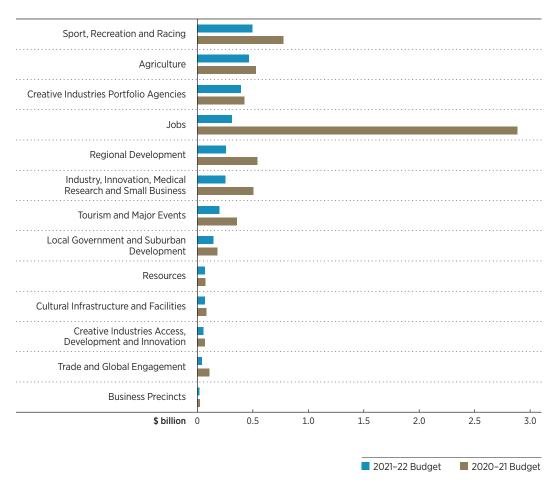
<sup>1</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, p. 248.

<sup>2</sup> Ibid., pp. 143–390 (Committee calculation).

**<sup>3</sup>** Ibid., p. 259.

<sup>4</sup> Ibid., p. 255.

Figure 9.1 Department funding by output, 2020–21 Budget vs 2021–22 Budget



Source: Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, p. 251 (Committee calculation).

The department's expenditure on employee benefits decreased by 9% between 2020–21 and 2021–22, from \$590 million down to \$537 million.<sup>5</sup>

DJPR's expenditure on 'Grants and other transfers' will fall by 69% in 2021–22, from \$5 billion to \$1.5 billion.<sup>6</sup> The department stated that this decline is due to 'increased expenditure in 2020–21 for services and initiatives led by DJPR in response to the COVID-19 pandemic'.<sup>7</sup> On the same basis, the department's 'Other operating expenses' fell from \$766 million to \$521 million.<sup>8</sup> 'Other operating expenses' are the day-to-day running costs incurred in normal operations, for example the purchasing of supplies or services needed for core departmental activities.<sup>9</sup>

<sup>5</sup> Department of Jobs, Precincts and Regions, *Response to the 2021–22 Budget Estimates General Questionnaire*, received 3 June 2021, p. 22.

<sup>6</sup> Ibid.

<sup>7</sup> Ihid

<sup>8</sup> Ibid.

<sup>9</sup> Department of Treasury and Finance, Budget Paper No. 5: 2021–22 State Statement of Finances, Melbourne, 2021, p. 28.

# 9.3 Capital spend

The total estimated investment (TEI) for DJPR's portfolio is \$2.1 billion, comprising eight existing and two new capital projects.<sup>10</sup> This represents a 5% increase on DJPR's capital program of \$2 billion in 2020–21.<sup>11</sup>

The 2021–22 Budget allocates DJPR \$197 million in TEI for two new capital projects. *Fishermans Bend Innovation Precinct* receives \$179 million and the remainder is allocated to the *Revitalising our Cultural Institutions* project. The *Melbourne Arts Precinct Transformation Phase One* project, with a TEI of \$1.4 billion, comprises 66% of the value of the department's capital program.

# 9.4 Industry Support and Recovery portfolio: key issues

The Minister for Industry Support and Recovery shares responsibility for the:

- · Jobs output
- Industry, Innovation, Medical Research and Small Business output. 14

New initiatives for the two outputs totalled \$484.5 million over the 2020–21 to 2024–25 period. \$209.6 million of which is allocated to 2020–21 for the following programs:

- \$147 million for the Circuit Breaker Action Business Support Package (Industry, Innovation, Medical Research and Small Business output)
- \$55 million for Test isolation payments (Jobs output)
- \$7.6 million for Supporting industries: COVID coordination and recovery (Industry, Innovation, Medical Research and Small Business output).<sup>15</sup>

#### 9.4.1 Industry support packages

The 2021–22 Budget allocates \$147 million in 2020–21 to the *Circuit Breaker Action Business Support Package* that was announced in February 2021.<sup>16</sup> The 2021–22 Budget further allocates \$31.1 million over 2020–21 and 2021–22 to the initiative *Supporting industries: COVID coordination and recovery.*<sup>17</sup>

<sup>10</sup> Department of Treasury and Finance, Budget Paper No. 4: 2021-22 State Capital Program, Melbourne, 2021, pp. 87-89.

<sup>11</sup> Department of Treasury and Finance, Budget Paper No. 2: 2020–21 Strategy and Outlook, Melbourne, 2020, p. 102 (Committee calculation).

<sup>12</sup> Department of Treasury and Finance, Budget Paper No. 4: 2021-22, p. 88.

<sup>13</sup> Ibid., pp. 88-89 (Committee calculation).

<sup>14</sup> Department of Jobs, Precincts and Regions, Response to the 2021-22 Budget Estimates General Questionnaire, p. 156.

<sup>15</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, pp. 70–71 (Committee calculation).

**<sup>16</sup>** Ibid., pp. 70–71, 77.

<sup>17</sup> Ibid., p. 71.

The Committee considered three output initiatives outlined in the 2021–22 Budget as COVID-19 support and recovery packages, totalling \$233.3 million. This includes: Circuit breaker action business support package (\$147 million in 2020–21), Supporting industries: COVID coordination and recovery (\$31.1 million in 2020–21 and 2021–22), and Test isolation payments (\$55.2 million in 2020–21). Supporting industries: COVID coordination and recovery will provide support and advice to Victorian businesses on industry recovery and adaptation. Test isolation payments will provide financial support while a person self-isolates to wait for the results of a COVID-19 test. The Committee notes that in the 2021–22 Budget, direct industry and businesses support accounted for \$147 million in 2020–21.

Whilst not considered as part of this inquiry, the Committee notes that, since the release of the 2021–22 Budget, there has been a range of additional industry support packages that have been announced concurrently with changed public health restrictions.

Table 9.1 outlines the funding packages that have been announced in the year 2021 as at August 2021 and notes those that have been directly accounted for in the 2021–22 Budget as presented.

**FINDING 78:** The 2021–22 Budget allocates \$147 million in 2020–21 for the *Circuit Breaker Action Business Support Package* announced in February 2021. The 2021–22 Budget also allocates \$31.1 million to support and recovery packages for businesses in 2020–21 and 2021–22 as well as \$55.2 million in 2020–21 for financial support for workers who are isolating whilst they wait for their COVID-19 test result.

<sup>18</sup> Ibid., pp. 70–71 (Committee calculation).

<sup>19</sup> Department of Jobs, Precincts and Regions, Response to the 2021–22 Budget Estimates General Questionnaire, pp. 22, 82.

Table 9.1 Support packages announced in 2021 (as at 19 August 2021)

Public health restrictions time period	Support package	Amount allocated	Accounted for in the 2021–22 Budget
		(\$ million)	
February 2021	Circuit Breaker Action Business Support Package:	143.1ª	✓
	• Business Costs Assistance Program—\$92 million		
	• Licensed Hospitality Venue Fund—\$24.9 million		
	<ul> <li>Victorian Accommodation Support Program—\$16.2 million</li> </ul>		
	<ul> <li>Regional Travel Voucher Scheme and Melbourne Travel Voucher Scheme—\$10 million<sup>b</sup></li> </ul>		
May-June 2021	Circuit Breaker Business Support Package:	481.2	×
	Business Costs Assistance Program Round Two—\$391.2 million		
	• Licensed Hospitality Venue Fund—\$70 million		
	• Victorian Events Support Package—\$20 million <sup>c</sup>		
	Regional Tourism Support Package <sup>d</sup>	32.2	×
July 2021	July lockdown support paymentse	282.5	×
July/August 2021	Victorian Business Support Package:		
	A \$400 million package jointly funded by the Commonwealth and Victorian Governments <sup>f</sup>	200.0	×
August 2021	Grants from the \$367 million joint Commonwealth-Victorian package announced on 12 August 2021. The package will support 10,000 businesses across Melbourne. <sup>9</sup>	Victorian contribution not published	×
Total value of pac	kages (as at 19 August 2021)	995.9+	

- a. The 2021–22 Budget allocates \$147 million in 2020–21. The supplementary evidence received by the Committee quotes \$143 million. Source: Hon Martin Pakula MP, 2021–22 Budget estimates hearings presentation: Industry Support and Recovery, supplementary evidence received 29 June 2021, p. 3; Hon Martin Pakula MP, Minister for Industry Support and Recovery, 2021–22 Budget Estimates (Industry Support and Recovery) hearing, Melbourne, 29 June 2021, Transcript of evidence, p. 1; Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, pp. 70–71.
- b. Hon Martin Pakula MP, 2021–22 Budget estimates hearings presentation: Industry Support and Recovery, supplementary evidence received 29 June 2021, p. 3; Hon Martin Pakula MP, Minister for Industry Support and Recovery, 2021–22 Budget Estimates (Industry Support and Recovery) hearing, Melbourne, 29 June 2021, Transcript of evidence, p. 1; Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, pp. 70–71.
- c. Hon Martin Pakula MP, 2021–22 Budget estimates hearings presentation: Industry Support and Recovery, supplementary evidence received 29 June 2021, p. 3.
- d. Ibid
- e. Hon Martin Pakula MP, Support Builds For Businesses Through Lockdown, media release, 21 July 2021.
- f. Prime Minister, Premier of Victoria, Treasurer, Treasurer of Victoria, Victorian Business Support Package, joint media release, 28 July 2021.
- g. Hon Josh Frydenberg MP, Hon Tim Pallas MP, Hon Martin Pakula MP, More Support For Melbourne Businesses In Lockdown, joint media release, 12 August 2021.

Source: Public Accounts and Estimates Committee compilation.

## 9.4.2 City of Melbourne revitalisation fund

Prior to the COVID-19 pandemic, Melbourne central business district (CBD) accounted for 37% of the economic activity in the Greater Melbourne economy, 24% of the Victorian economy and 7% of the Australian economy.<sup>20</sup> The Minister told the Committee that spending in Melbourne CBD had declined by 24% in February 2021 compared to last year.<sup>21</sup>

The 2021–22 Budget allocates \$7.4 million in 2020–21 and \$50 million in both 2021–22 and 2022–23 (totalling \$107.4 million) to a *Melbourne central business district economic package*.<sup>22</sup> The funding is to stimulate economic activity and rejuvenate the City of Melbourne through the *CBD dining experiences scheme* and the *Melbourne City revitalisation fund*.<sup>23</sup> The City of Melbourne will contribute a further \$100 million to the fund.<sup>24</sup>

The Minister explained that funds allocated in 2020–21 were focused on immediate COVID-19 support as part of the broader pandemic response, while the new funding is focused on 'longer term recovery and the transition opportunities that might exist in the CBD'.<sup>25</sup>

The Minister told the Committee that the CBD has been uniquely affected by stay at home orders as well as other contributing factors such as a reduction in international visitation, a lower number of events and fewer people working in CBD offices.<sup>26</sup>

**FINDING 79:** The Melbourne central business district (CBD) has been significantly impacted due to stay at home orders, a reduction in international visitations and fewer events being held in the CBD during the COVID-19 pandemic. The 2021–22 Budget allocates \$107.4 million to the *Melbourne central business district economic package* which focuses on the long-term recovery of the Melbourne CBD. This is a jointly funded initiative with the City of Melbourne.

<sup>20</sup> City of Melbourne, Economic Development Strategy 2031, Melbourne, 30 June 2021, p. 9.

<sup>21</sup> Hon Martin Pakula MP, Minister for Industry Support and Recovery, 2021–22 Budget Estimates (Industry Support and Recovery) hearing, Melbourne, 29 June 2021, *Transcript of evidence*, p. 4.

<sup>22</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 70 (Committee calculation).

<sup>23</sup> Ibid., p. 78

<sup>24</sup> City of Melbourne, 2021–22 Budget, Melbourne, 29 June 2021, p. 5.

<sup>25</sup> Hon Martin Pakula MP, Minister for Industry Support and Recovery, *Transcript of evidence*, p. 4.

<sup>26</sup> Ibid., p. 5.

# 9.5 Employment portfolio: key issues

The Minister for Employment is responsible for the Jobs output which received an allocation of \$310 million in the 2021–22 Budget.<sup>27</sup>

New output initiatives in the 2021–22 Budget included *Getting Victorians back to work* (\$21.7 million over four years) and *Maximising local jobs and local content* (\$40.6 million over four years).<sup>28</sup>

# 9.5.1 Employment by industry

The 2021–22 Budget Paper No: 2 examined employment by industry during COVID-19 and considered the February 2021 labour force data release.<sup>29</sup> Similar to the analysis outlined in the 2021–22 Budget, the Australian Bureau of Statistics (ABS) data for May 2021 showed a continued recovery among Victoria's customer-facing industries—like accommodation, food services and arts and recreation services—which were particularly affected during 2020.<sup>30</sup> Conversely, transport, postal and warehousing industries and retail trade recorded significant job losses between February and May 2021.<sup>31</sup>

The cumulative change in employment by industry as at May 2021 is illustrated in Figure 9.2.

<sup>27</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 251; Department of Jobs, Precincts and Regions, Response to the 2021–22 Budget Estimates General Questionnaire, p. 161.

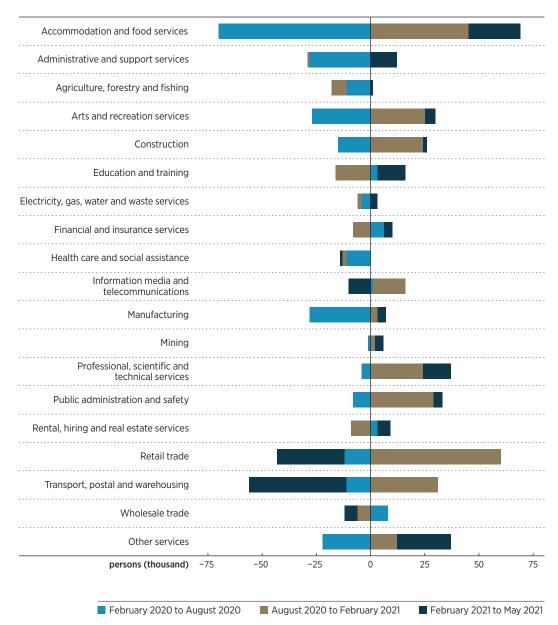
<sup>28</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 70–71 (Committee calculation).

<sup>29</sup> Department of Treasury and Finance, Budget Paper No. 2: 2021-22, pp. 31-32.

<sup>30</sup> Australian Bureau of Statistics, Labour Force, Australia, Detailed cat. no. 6291.0.55.001, 22 July 2021, <a href="https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/latest-release">https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/latest-release</a> accessed 12 August 2021 (Committee calculation).

<sup>31</sup> Ibid. (Committee calculation).

Figure 9.2 Cumulative change in employment by industry, '000 persons (February 2020 to May 2021)



Source: Australian Bureau of Statistics, *Labour Force, Australia*, Detailed cat. no. 6291.0.55.001, 22 July 2021, <a href="https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/latest-release">https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/latest-release</a> accessed 12 August 2021 (Committee calculation).

#### 9.5.2 Jobs for Victoria

The 2020–21 Budget allocated \$619.4 million over four years to the *Jobs for Victoria* initiative.<sup>32</sup> It also provided an \$87.5 million top-up to the *Working for Victoria* initiative, which received \$500 million of funding in 2019–20.<sup>33</sup>

<sup>32</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2020–21*, p. 83 (Committee calculation).

<sup>33</sup> Ibid., p. 83–84 (Committee calculation).

The 2021–22 Budget outlines that the \$500 million *Working for Victoria* initiative will be discontinued and will be superseded by the *Jobs for Victoria* initiative.

The *Jobs for Victoria* initiative aims to provide jobseekers with the information, advice and support to assist them to re-enter the workforce through Jobs Victoria services.<sup>34</sup> *Jobs for Victoria* particularly aims to provide employment support for women, young people and older people most impacted by the pandemic.<sup>35</sup> The department noted in its response to the Committee's questionnaire that \$266.5 million of the initiative is earmarked to deliver face-to-face intensive support to those who need extra help.<sup>36</sup>

The department further explained that the initiative includes \$250 million via the *Jobs Victoria Fund* to create 10,000 jobs using wage subsidies.<sup>37</sup> Businesses can apply for a subsidy of up to \$20,000 per eligible employee.<sup>38</sup>

The 2021–22 Budget outlines eight performance measures relating to the *Jobs for Victoria* initiative.<sup>39</sup> These include disadvantaged jobseekers who achieve sustainable employment (minimum number of 26 weeks) with the support of Jobs Victoria Services (target of 50%) and the proportion of Jobs Victoria Fund allocated to women (target of 60%).<sup>40</sup>

Regarding the cessation of the Working for Victoria program, DJPR predicts:

Minimal impact as program objectives and targets [of *Working for Victoria*] have been met. Organisations that employed people through the Working for Victoria Fund are now eligible to access wage subsidies of up to \$20,000 to retain them for a further 12 months under the new Jobs Victoria Fund.<sup>41</sup>

The Minister explained that whilst the *Jobs for Victoria* initiative does not provide a full wage subsidy, it provides various other support services for jobseekers that will enable more sustainable employment outcomes.<sup>42</sup>

**FINDING 80:** The 2020–21 Budget allocated \$619.4 million over four years to the *Jobs* for *Victoria* initiative which includes a \$250 million provision for wage subsidies. Whilst the *Working for Victoria* program will be superseded by this new program, current participants in the *Working for Victoria* program can access wage subsidies of up to \$20,000 to retain employees for a further 12 months as part of the *Jobs for Victoria* initiative.

<sup>34</sup> Department of Jobs, Precincts and Regions, Jobs Victoria, 16 December 2020, <a href="https://dipr.vic.gov.au/significant-projects/jobs-victoria">https://dipr.vic.gov.au/significant-projects/jobs-victoria</a> accessed 12 August 2021.

<sup>35</sup> Department of Jobs, Precincts and Regions, Response to the 2021-22 Budget Estimates General Questionnaire, pp. 17-18.

**<sup>36</sup>** Ibid., p. 17.

<sup>37</sup> Ibid., p. 18; Hon Jaala Pulford MLC, 2021–22 Budget estimates hearings presentation: Employment, supplementary evidence received 29 June 2021, p. 4.

<sup>38</sup> Department of Jobs, Precincts and Regions, Response to the 2021-22 Budget Estimates General Questionnaire, p. 18.

<sup>39</sup> Ibid., p. 17.

<sup>40</sup> Department of Treasury and Finance, Budget Paper No. 3: 2020-21, pp. 253-254.

<sup>41</sup> Department of Jobs, Precincts and Regions, Response to the 2021–22 Budget Estimates General Questionnaire, pp. 59–60.

<sup>42</sup> Hon Jaala Pulford MLC, Minister for Employment, 2021–22 Budget Estimates (Employment) hearing, Melbourne, 29 June 2021, *Transcript of evidence*, p. 8.

**FINDING 81:** The 2020–21 Budget set a target of 10,000 jobs to be created through *Working for Victoria*. The 2021–22 Budget forecasts an expected outcome of 12,000 jobs to be created through *Working for Victoria*. The performance measure has been discontinued with the cessation of the initiative in 2021–22.

**FINDING 82:** The 2021–22 Budget outlines eight performance measures that relate to *Jobs for Victoria*. These include the proportion of disadvantaged jobseekers and female job seekers who achieve sustainable employment (minimum number of 26 weeks) with the support of Jobs Victoria Services.

# 9.6 Small business portfolio: key issue

The Small Business portfolio contributes to the Industry, Innovation, Medical Research and Small Business output.<sup>43</sup> This output received \$251.2 million in funding in 2021–22, half of the 2020–21 Budget allocation.<sup>44</sup>

The Small Business portfolio has new output funding in 2021–22 of \$4.4 million over two years for the *Small businesses services and support* initiative.<sup>45</sup>

# 9.6.1 Eligibility for COVID-19 support packages

The Committee notes that ABS data shows that in Victoria, the number of small businesses declined by 0.6% between June 2019 and June 2020.<sup>46</sup> The survival rate<sup>47</sup> of businesses as reported on 24 August 2021 had dropped to 65% in June 2021 compared to 77.7% in June 2019 in Victoria.<sup>48</sup> In June 2021 the ABS reported 16% of small businesses surveyed Australia-wide were finding it difficult or very difficult to meet financial commitments over the next three months.<sup>49</sup>

<sup>43</sup> Department of Jobs, Precincts and Regions, Response to the 2021–22 Budget Estimates Questionnaire, p. 163.

<sup>44</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 251.

**<sup>45</sup>** Ibid., p. 70.

For statistical purposes, the Australian Bureau of Statistics (ABS) defines a small business as an actively trading business with 0–19 employees. Micro businesses are small businesses with 0–4 employees. Source: Department of Industry, Innovation, Science, Research and Tertiary Education, Australian Small Business, Key statistics and analysis, Canberra, December 2012 p. 10. This figure is a Committee calculation based on the data for Victorian businesses with 1–19 employees. The August 2021 release of this dataset did not include data broken down by both state and employee numbers, so an analysis of small business numbers over the full COVID-19 period could not be made. Source: Australian Bureau of Statistics, Counts of Australian Businesses, including Entries and Exits, cat. no. 8165.0, 16 February 2021, <a href="https://www.abs.gov.au/statistics/economy/business-indicators/counts-australian-businesses-including-entries-and-exits/latest-release#data-download">https://www.abs.gov.au/statistics/economy/business-indicators/counts-australian-businesses-including-entries-and-exits/latest-release#data-download</a> accessed

<sup>47</sup> A surviving business is defined as a business which is active on the ABS Business Register as at 1 June of the current year and also active in the reference or base year. Survival rates cannot be used to indicate business failures and should be used with care. The survival rate reference period used in this report is June 2017 to June 2021. Source: Department of Industry, Innovation, Science, Research and Tertiary Education, Australian Small Business, Key statistics and analysis, Canberra, December 2012 p. 83.

<sup>48</sup> Australian Bureau of Statistics, Counts of Australian Businesses, including Entries and Exits.

<sup>49</sup> Australian Bureau of Statistics, *Business Conditions and Sentiments: Ability to meet financial commitments*, 24 June 2021, <a href="https://www.abs.gov.au/statistics/economy/business-indicators/business-conditions-and-sentiments/latest-release">https://www.abs.gov.au/statistics/economy/business-indicators/business-conditions-and-sentiments/latest-release</a> accessed 9 August 2021.

The Victorian Government has initiated several support packages for businesses during periods of restricted activity as analysed in section 9.4 of this Chapter. During the estimates hearing the Committee discussed eligibility for support packages with the Minister for Small Business and Employment. In response to questioning, the Minister advised that whilst some businesses may not be registered for Goods and Services Tax (GST) they may be eligible to participate in the *Working for Victoria* program and may be able to access income support, such as the COVID-19 disaster payment of \$600 per week.<sup>50</sup>

The Committee notes that there is currently no reliable data on how many businesses in Victoria are operating without being registered for GST. Businesses who are not registered for GST are also not required to trade with an ABN. The abovementioned ABS data is based on ABN registrations, which means it is impossible to determine how Victoria's smallest of small businesses are performing.<sup>51</sup>

**RECOMMENDATION 35:** The Department of Jobs, Precincts and Regions review the financial support paid to small businesses in response to the economic impact of the COVID-19 pandemic.

# 9.7 Agriculture portfolio: key issues

The Minister for Agriculture is responsible for the Agriculture output (\$464.7 million in 2021–22).<sup>52</sup> The total output funding for the portfolio shrunk by \$61.3 million (11.7%) between 2020–21 and 2021–22.<sup>53</sup> The 2021–22 Budget included eight new output initiatives for Agriculture, with a total funding of \$89.6 million allocated across 2020–21 to 2021–22.<sup>54</sup>

The two largest output initiatives funded in the 2021-22 Budget are:

- Accelerating Victoria's agriculture sector response to a changing climate—\$20 million over the forward estimates
- Support for seasonal agriculture workforce—\$19.3 million in 2020-21.55

<sup>50</sup> Hon Jaala Pulford MLC, Minister for Employment, Transcript of evidence p. 3; Victorian Chamber of Commerce and Industry, Further State financial support welcome news for Victoria's struggling businesses, 21 July 2021, <a href="https://www.victorianchamber.com.au/news/further-state-financial-support-welcome-news-for-victoria-s-struggling-businesses">https://www.victorianchamber.com.au/news/further-state-financial-support-welcome-news-for-victoria-s-struggling-businesses</a> accessed 9 August 2021.

<sup>51</sup> Australian Bureau of Statistics, Counts of Australian Businesses, including entries and exists methodology, 16 February 2021, <a href="https://www.abs.gov.au/methodologies/counts-australian-businesses-including-entries-and-exits-methodology/jul2016-jun2020#how-the-data-is-collected">https://www.abs.gov.au/methodologies/counts-australian-businesses-including-entries-and-exits-methodology/jul2016-jun2020#how-the-data-is-collected</a> accessed 9 August 2021.

<sup>52</sup> Department of Jobs, Precincts and Regions, *Response to the 2021–22 Budget Estimates General Questionnaire*, p. 165; Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 251.

<sup>53</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 251.

**<sup>54</sup>** Ibid., p. 70

The 2021–22 Budget includes funding announced out of budget during 2020–21, which applies to a range of programs including the *Support for seasonal agriculture workforce*. Source: Ibid., pp. 70–71.

# 9.7.1 Seasonal workforce support

The Support for seasonal agriculture workforce was announced in September 2020 as part of a one-off package to help address seasonal workforce shortages brought on by the coronavirus pandemic.<sup>56</sup> The program has not been extended in the 2021–22 Budget.<sup>57</sup>

In relation to the *Support for seasonal agriculture workforce* program funding the Minister stated:

It is premature to predict what funding may be required in the future, and indeed if funding for additional programs is required, then I will go through the budget process ... to seek funding to assist the horticulture industry to get the workforce that it needs.

The program included a sign-on bonus for local jobseekers who commence work in agriculture during the harvest season, *Pacific Mobility Schemes* to bring Pacific workers to Victorian agriculture businesses, and support grants to help implement industry-specific solutions to workforce shortages.<sup>58</sup>

The Minister commented that a 'sign-up bonus' for local workers is recognition that the 'days of relying on [overseas] backpackers is over for the foreseeable future' due to the COVID-19 pandemic.<sup>59</sup>

The Minister also noted that, as part of the *Support for seasonal agriculture workforce* program, the Victorian Government is subsidising the majority of the costs associated with quarantine for up to 1,500 Pacific Islander workers.

The Support for seasonal agriculture workforce program had a funding allocation of \$19.3 million.<sup>60</sup> The Committee notes that Treasurer's Advances were used to fund the program in 2020–21.<sup>61</sup> The programs were complemented by the Seasonal workers accommodation program, which was allocated \$6 million under a Treasurer's Advance to provide seasonal workers with temporary accommodation.<sup>62</sup>

During the public hearing, the Minister for Agriculture indicated that these programs are additional to the initiative *A new strategy to grow and modernise Victorian agriculture*, which was funded \$65 million over the forward estimates in the 2020–21 Budget.<sup>63</sup>

<sup>56</sup> Hon Jaclyn Symes MLC, Helping Farmers Get The Workers They Need This Season, media release, 17 September 2020.

<sup>57</sup> Department of Jobs, Precincts and Regions, *Response to the 2021–22 Budget Estimates General Questionnaire*, pp. 50, 67.

<sup>58</sup> Ibid., p. 67.

<sup>59</sup> Hon Mary-Anne Thomas MP, Minister for Agriculture, 2021–22 Budget Estimates (Agriculture) hearing, Melbourne, 30 June 2021, *Transcript of evidence*, p. 6.

<sup>60</sup> Department of Jobs, Precincts and Regions, Response to the 2021-22 Budget Estimates General Questionnaire, 67, 96.

**<sup>61</sup>** Ibid., p. 96.

**<sup>62</sup>** Ibid., p. 68

<sup>63</sup> Hon Mary-Anne Thomas MP, Minister for Agriculture, *Transcript of evidence*, p. 6; Department of Treasury and Finance, *Budget Paper No. 3: 2020–21*, p. 83.

**FINDING 83:** The Department of Jobs, Precincts and Regions was allocated \$65 million in the 2020–21 Budget in addition to \$25.3 million in Treasurer's Advances to support Victorian agriculture during the COVID-19 pandemic.

# 9.7.2 The transition to low emissions agriculture

The Accelerating Victoria's agriculture sector response to a changing climate program aims to accelerate research in emissions reducing technologies, deliver on-farm action plans to measure and reduce emissions, and develop the Victorian Agriculture and Climate Change Statement.<sup>64</sup> The program is funded \$20 million over the forward estimates.<sup>65</sup>

At the public hearing, the Minister explained that \$3.9 million will be allocated to research and \$15.4 million 'will support up to 250 farmers and growers to understand and reduce emissions on their farms'.<sup>66</sup>

Noting that the agriculture sector contributes approximately 17% of Victoria's emissions, <sup>67</sup> the Minister responded that 'we see this very much as foundational action', and 'I would say that many farmers are already taking action', characterising the initiative as the Government helping the sector get 'the information they need to make the investments that they may need' to reduce emissions. <sup>68</sup>

In relation to a specific emissions reduction target for the agriculture sector the Minister stated:

at the heart of the plan are ambitious targets to reduce emissions by 28 to 33 per cent by 2025 and 45 to 50 per cent by 2030.69

The Minister also estimated that the Victorian Agriculture and Climate Change Statement mentioned in the budget papers would take around 12 months to develop.<sup>70</sup>

**FINDING 84:** The Victorian agriculture sector contributes approximately 17% of Victoria's greenhouse gas emissions.

<sup>64</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 72.

<sup>65</sup> Ibid., p. 70.

<sup>66</sup> Hon Mary-Anne Thomas MP, Minister for Agriculture, *Transcript of evidence*, p. 2.

<sup>67</sup> Department of Environment, Land, Water and Planning, Agriculture sector emissions reduction pledge, May 2021, <a href="https://www.climatechange.vic.gov.au/victorian-government-action-on-climate-change/Agriculture-sector-pledge-accessible.pdf">https://www.climatechange.vic.gov.au/victorian-government-action-on-climate-change/Agriculture-sector-pledge-accessible.pdf</a>> accessible.pdf

<sup>68</sup> Hon Mary-Anne Thomas MP, Minister for Agriculture, *Transcript of evidence*, p. 11.

**<sup>69</sup>** Ibid., p. 10.

**<sup>70</sup>** Ibid., p. 12.

# 9.8 Innovation, Medical Research and the Digital Economy portfolio: key issue

The portfolio of Innovation, Medical Research and Digital Economy (IMRDE) is supported by one output.<sup>71</sup> The portfolio was allocated \$504.3 million in the 2020–21 Budget and \$251.2 million in 2021–22, a reduction of 50.2%.<sup>72</sup>

The Minister for Innovation, Medical Research and Digital Economy informed the Committee that this is a relatively 'new' portfolio created in mid-2020.<sup>73</sup> The IMRDE portfolio appears to be a further iteration of the former 'Jobs, Innovation and Trade' portfolio in 2020–21.<sup>74</sup> However, the department did not explain in its response to the 2021–22 questionnaire the difference between the two portfolios and which components were simply transferred across.<sup>75</sup>

# 9.8.1 Rapid COVID-19 tests

The Minister informed the Committee that across the 2020–21 and 2021–22 Budgets \$30 million in funding is provided for COVID-19 research projects.<sup>76</sup> A Committee member asked whether any of these projects were investigating faster COVID-19 testing and, if so, how far that work had advanced.<sup>77</sup> In its response to that question on notice, the department provided a link to a list of medical research grant recipients.<sup>78</sup>

# 9.9 Trade portfolio: key issue

The Minister for Trade is responsible for the Trade and Global Engagement output.<sup>79</sup> Output funding for the portfolio fell by \$66.7 million (63%) between the 2020–21 and 2021–22 Budgets.<sup>80</sup> Three new output initiatives for Trade and Global Engagement were included in the 2021–22 Budget, totalling \$60.1 million over the forward estimates.<sup>81</sup> The largest of these, the *International education recovery and growth* program, is allocated \$50.9 million to 2024–25.<sup>82</sup>

<sup>71</sup> Department of Jobs, Precincts and Regions, Response to the 2021-22 Budget Estimates General Questionnaire, p. 162.

<sup>72</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 251.

<sup>73</sup> Hon Jaala Pulford MLC, Minister for Innovation, Medical Research and the Digital Economy, 2021–22 Budget Estimates (Innovation, Medical Research and the Digital Economy) hearing, Melbourne, 29 June 2021, Transcript of evidence, p. 1.

<sup>74</sup> Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020-21 Budget Estimates, April 2021, p. 295.

<sup>75</sup> Department of Jobs, Precincts and Regions, Response to the 2021-22 Budget Estimates General Questionnaire, p. 162.

<sup>76</sup> Hon Jaala Pulford MLC, Minister for Innovation, Medical Research and the Digital Economy, Transcript of evidence, p. 1.

<sup>77</sup> Mr James Newbury MP, Public Accounts and Estimates Committee, 2021–22 Budget Estimates (Innovation, Medical Research and the Digital Economy) hearing, Melbourne, 29 June 2021, *Transcript of evidence*, p. 3.

<sup>78</sup> The referenced website is <a href="https://djpr.vic.gov.au/about-us/news/medical-research-grant-recipients-announced">https://djpr.vic.gov.au/about-us/news/medical-research-grant-recipients-announced</a>.

Hon Jaala Pulford MLC, 2021–22 Budget estimates hearing, response to questions on notice, received 14 July 2021, p. 1.

<sup>79</sup> Department of Jobs, Precincts and Regions, *Response to the 2021–22 Budget Estimates General Questionnaire*, received 3 June 2021, p. 157.

<sup>80</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 251.

**<sup>81</sup>** Ibid., p. 72.

<sup>82</sup> Ibid. (Committee calculation).

Discussion at the public hearing primarily centred on the portfolio's support for Victoria's tertiary education sector.

# 9.9.1 The tertiary education sector

The Minister for Trade informed the Committee that international education, Victoria's largest single export industry, totalled \$10.5 billion in exports in 2020, down \$3.2 billion from the prior year.<sup>83</sup> As of June 2021, the number of international student visa holders in Victoria was 40% down on June 2020 levels.<sup>84</sup> DJPR stated that the *International Student Emergency Relief Fund*, announced in April 2020, had expended \$35 million in the 2020–21 financial year and was a one-off initiative that lapsed in 2020–21.<sup>85</sup> The Fund provided cash payments and food assistance to those international students remaining in Victoria.<sup>86</sup>

Study Melbourne hubs are multipurpose spaces that connect international students to online study at Victorian education providers, act as study spaces, and support students while they study in their home country.<sup>87</sup> Five hubs have so far been established in East Asia, South East Asia, and Latin America.<sup>88</sup>

The Minister stated that this component of the *International education recovery* and growth program provides further funding for short-term initiatives released in December 2020.<sup>89</sup>

The Minister added that the hubs are intended to create a 'longer term pathway to onshore learning' when COVID-19 restrictions ease. 90 The department has adopted a performance measure to gauge student satisfaction with these student programs. 91

# 9.10 Resources portfolio: key issue

The Resources Minister is responsible for the Resources output, which received \$66.2 million in the 2021–22 Budget.<sup>92</sup> The 2021–22 Budget included one new output initiative for the portfolio called *Resources for recovery: securing the resources for Victoria's economic recovery,* which is allocated \$35.7 million over the forward estimates

<sup>83</sup> Hon Martin Pakula MP, Minister for Trade, 2021–22 Budget Estimates (Trade) hearing, Melbourne, 29 June 2021, *Transcript of evidence*, p. 1.

<sup>84</sup> Ibid., pp. 1-2

<sup>85</sup> Department of Jobs, Precincts and Regions, Response to the 2021–22 Budget Estimates General Questionnaire, p. 60.

Hon Martin Pakula MP, Minister for Trade, *Transcript of evidence*, p. 1; Hon Martin Pakula MP, *Emergency Support For Victoria's International Students*. media release. 29 April 2020.

<sup>87</sup> Hon Martin Pakula MP, Minister for Trade, *Transcript of evidence*, p. 2.

<sup>88</sup> Ibid.

<sup>89</sup> Mr Gary Maas MP, Public Accounts and Estimates Committee, 2021–22 Budget Estimates (Trade) hearing, Melbourne, 29 June 2021, *Transcript of evidence*, p. 2; Hon Martin Pakula MP, Minister for Trade, *Transcript of evidence*, p. 2.

**<sup>90</sup>** Ibid.

<sup>91</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 259.

<sup>92</sup> Department of Jobs, Precincts and Regions, Response to the 2021–22 Budget Estimates General Questionnaire, p. 167; Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 251.

and is linked to the *Big Build* program in terms of providing the necessary extractive resources for that range of works.<sup>93</sup>

# 9.10.1 The CarbonNet project

The *CarbonNet* project was established in 2009 to investigate the potential to develop a commercially viable Carbon Capture and Storage (CCS) network in Gippsland. CCS permanently removes  $\rm CO_2$  from the atmosphere by transporting it in gas form to a suitable geological formation and sequestering the gas inside. The project team is currently drilling an offshore appraisal well in Bass Strait to measure the potential for a  $\rm CO_2$  storage site. The Minister discussed the latest modelling undertaken by Ernst & Young, which has estimated that the CCS project could create 2,700 jobs a year during construction and approximately 1,200 jobs per annum both directly and indirectly in carbon capture and storage enablers.

The Minister noted that *CarbonNet* is a key component of Victoria's climate change framework as the technology could help to decarbonise existing industries.<sup>99</sup>
The Minister also informed the Committee that the Government is committed to progressing the project 'towards a final investment decision over the next few years'.<sup>100</sup>
The investment decision will be subject to technical feasibility and regulatory and environmental approvals.<sup>101</sup>

#### 9.11 Performance measures

#### 9.11.1 Department wide: analysis of new performance measures

DJPR added 17 new performance measures in the 2021–22 Budget.<sup>102</sup> Thirty-two existing performance measures have been modified in the 2021–22 Budget.<sup>103</sup> Table 9.2 summarises the issues with three of these measures by relevant output.

<sup>93</sup> Ibid., pp. 71, 83.

<sup>94</sup> Department of Jobs, Precincts and Regions, *The CarbonNet Project*, 30 July 2021, <a href="https://earthresources.vic.gov.au/projects/carbonnet-project">https://earthresources.vic.gov.au/projects/carbonnet-project</a> accessed 13 August 2021; Hon Jaclyn Symes MLC, Minister for Resources, 2021–22 Budget Estimates (Resources) hearing, Melbourne, 30 June 2021, *Transcript of evidence*, p. 9.

<sup>95</sup> EY, CarbonNet: CCS Regional Economic Benefit Assessment – Gippsland, February 2021, <a href="https://earthresources.vic.gov.au/">https://earthresources.vic.gov.au/</a> data/assets/pdf\_file/0010/695197/CarbonNet-Regional-Economic-Analysis-Report-Gippsland 2021.pdf> accessed 13 August 2021.

<sup>96</sup> Ibid.

<sup>97</sup> The majority of the forecast jobs would be created in Gippsland. Source: Ibid.

<sup>98</sup> Hon Jaclyn Symes MLC, Minister for Resources, *Transcript of evidence*, p. 9.

<sup>99</sup> Ibid.

<sup>100</sup> Ibid.

<sup>101</sup> Ibid.

<sup>102</sup> Department of Jobs, Precincts and Regions, Response to the 2021-22 Budget Estimates General Questionnaire, pp. 103-114; Department of Treasury and Finance, Budget Paper No. 3: 2021-22, pp. 394-395.

<sup>103</sup> Department of Jobs, Precincts and Regions, Response to the 2021-22 Budget Estimates General Questionnaire, pp. 115-137.

Table 9.2 Issues with new and modified performance measures (2021–22)

Output	New performance measure	Issues identified by PAEC
Industry, Innovation and Small Business	Locations to receive broadband infrastructure upgrades (Quantity)	The Committee notes that 'under the <i>Digital Future Now</i> initiative' be added to the performance measure name so it is clear what the measure relates to in future budgets.
Medical Research	Projects supported through building and scaling up messenger Ribonucleic Acid Vaccine (mRNA) manufacturing capability in Victoria (Quantity)	The performance measure as currently written does not provide information that would be useful for gauging progress made towards building and scaling up this project. The Committee suggests that a percentage figure would be more useful for capturing this information—for example the cumulative \$ figure of projects supported divided by the total project budget for stage one of the mRNA initiative.
Local Government and Suburban Development	Community Leadership Program training places offered to women (Quantity)	The Committee notes that training places accepted by women candidates or training completed by women would be more useful information to gauge the impact of this program. Measuring training places offered does not provide an indication of acceptance or completion.

Source: Department of Jobs, Precincts and Regions, *Response to the 2021–22 Budget Estimates General Questionnaire*, received 3 June 2021, pp. 103–137.

**RECOMMENDATION 36:** The Department of Jobs, Precincts and Regions address the issues raised in the three new performance measures identified by the Committee.

# 9.11.2 Department wide: analysis of proposed discontinued performance measures

DJPR identified eleven performance measures in Appendix A of the budget papers for discontinuation in the 2021–22 Budget. $^{104}$ 

The Committee supports the department's rationale for discontinuation in all cases. Six measures relate to programs that have expired, two have been replaced with updated measures, and three measures are proposed for discontinuation due to the reinstatement of a duplicate measure based on recommendations made by the Committee in relation to the 2019–20 Budget.

<sup>104</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, pp. 394–395.

# **10** Court Services Victoria

#### 10.1 Overview

Court Services Victoria (CSV) is an independent statutory body that provides administrative services to support Victoria's Supreme, County, Magistrates', Children's and Coroner's Courts and the Victorian Civil and Administrative Tribunal (VCAT). It also supports the Judicial College of Victoria and the Judicial Commission of Victoria.<sup>1</sup>

According to CSV, its activities serve the Victorian community through the efficient and effective delivery of court and tribunal services, 'thereby supporting Victoria's system of responsible government and rule of law'.<sup>2</sup>

CSV is part of the ministerial portfolio of the Attorney-General and its objective is the fair, timely and efficient dispensing of justice.<sup>3</sup> Its objectives are to:

- · provide equal access to justice
- ensure fairness, impartiality and independence in decision making
- follow processes that are transparent, timely and certain
- strive for leadership and best practice in court administration
- · strengthen links with the community.4

# **10.2** Financial analysis

In 2021–22 CSV has the eighth largest budget of a total of 11 departments. CSV's budget represents 1% of output funding to all departments.<sup>5</sup> In the 2021–22 Budget CSV is allocated \$755.2 million to fund its outputs, an increase of \$80.7 million (12%) compared to the 2020–21 Budget.<sup>6</sup> CSV's output appropriation in 2021–22 is \$531 million, an increase of \$13 million (2.5%) from the 2020–21 Budget.<sup>7</sup> CSV advised the Committee that its savings and efficiencies and expenditure reduction measures for 2021–22 were yet to be confirmed by government.<sup>8</sup>

Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, p. 381; Court Services Victoria, Annual Report 2019–20, Melbourne, 2020, p. 7.

<sup>2</sup> Court Services Victoria, Annual Report 2019–20, p. 7.

<sup>3</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 381.

<sup>4</sup> Ibid

<sup>5</sup> Ibid., p. 382 (Committee calculation).

<sup>6</sup> Ibid. (Committee calculation).

<sup>7</sup> Court Services Victoria, Response to the 2021–22 Budget Estimates General Questionnaire, received 21 May 2021, p. 15 (Committee calculation).

<sup>8</sup> Ibid., p. 31.

In the 2021–22 Budget the following three programs received the largest output funding:

- Specialist family violence integrated court response—\$42.6 million over four years.
- Responding to increased pressure on Victoria's justice system—\$33.4 million over four years.
- Online Magistrates Court—\$30.7 million over four years.<sup>9</sup>

In 2021–22 CSV's capital program consists of \$89 million in new projects, representing 1% of the total general government capital program (new). CSV's capital program (existing) is valued at \$591.7 million, bringing the total capital program to \$680.7 million. Of the new capital projects \$35 million total estimated investment (TEI) is allocated to *Specialist family violence integrated court response* and \$29 million TEI is allocated to *VCAT digital service transformation*. 11

# 10.3 Key issue

CSV is responsible for one budget output: Courts (funding in 2021–22: \$755.2 million).<sup>12</sup>

At the budget estimates hearings the Committee focused on the increase in pending matters in Victoria's courts and efforts to reduce pending matters as outlined below.

# **10.3.1** Pending matters in Victoria's courts and the Victorian Civil and Administrative Tribunal

#### Funding in the 2021-22 Budget

In response to the departmental questionnaire, CSV stated an increase in pending matters across the courts and an increase in pending jury trials were two strategic issues affecting the development of CSV's estimates in 2021–22.<sup>13</sup> In a number of previous reports the Committee has discussed the significant growth in pending matters across Victoria's courts and VCAT as a result of the COVID-19 pandemic and associated health restrictions.<sup>14</sup>

During the estimates hearing the Attorney-General told the Committee how the 2021–22 Budget responds to the backlog in Victoria's justice system. The Attorney-General advised the Budget includes \$210 million across CSV and the

<sup>9</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 133 (Committee calculation).

<sup>10</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2021–22 State Capital Program,* Melbourne, 2021, pp. 113–115 (Committee calculation).

<sup>11</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 137.

<sup>12</sup> Ibid., p. 382.

<sup>13</sup> Court Services Victoria, Response to the 2021–22 Budget Estimates General Questionnaire, pp. 9–10.

Parliament of Victoria, Public Account and Estimates Committee, Report on the 2020-21 Budget Estimates, April 2021, pp. 231-233; Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2019-20 Financial and Performance Outcomes, May 2021, pp. 141-144.

Department of Justice and Community Safety for several initiatives aimed at increasing the capacity of the justice system and increasing online services to support a higher volume of matters. <sup>15</sup> Of CSV's new output initiatives, \$102.3 million (53% of all new output funding) is directed to reducing backlogs in the court system. <sup>16</sup>

The initiatives included in CSV's estimates for 2021–22 are predominantly for growing the ability of the Magistrates' Court, the Children's Court and VCAT to hear matters remotely and provide more digital services, and to employ additional staff in the County and Coroner's Courts.<sup>17</sup>

The Attorney-General told the Committee that the funding in 2021–22 builds on the \$80 million allocated in the 2020–21 Budget to the *Justice Recovery Plan*, bringing the investment for driving down delays in the justice system to over \$290 million. 

The Committee also notes that after the handing down of the 2020–21 Budget in November 2020, CSV required a Treasurer's Advance of \$7.2 million to further fund the *Justice Recovery* initiative. 

The large investment in the 2021–22 Budget and the further funds accessed through a Treasurer's Advance highlight that pending matters in the Victorian judicial system continue to be a significant issue.

**FINDING 85:** The 2021–22 Budget includes \$210 million directed towards reducing delays in Victoria's justice system as a result of the COVID-19 pandemic. This is in addition to the \$80 million provided in the 2020–21 Budget for the *Justice Recovery Plan*.

Table 10.1 compiled by the Committee outlines the initiatives in the 2020–21 and 2021–22 Budgets that are directed toward increasing justice system capacity and reducing pending matters. Much of CSV's funding in the 2021–22 Budget relates to existing initiatives outlined in the 2020–21 Budget.<sup>20</sup>

<sup>15</sup> Hon Jaclyn Symes MLC, 2021–22 Budget Estimates Hearing Presentation: Attorney-General, supplementary evidence, received 30 June 2021, p. 3; Hon Jaclyn Symes MLC, Attorney-General, 2021–22 Budget Estimates (Attorney-General) hearing, Melbourne, 30 June 2021, Transcript of evidence, p. 6.

<sup>16</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 133 (Committee calculation).

<sup>17</sup> Ibid., pp. 133-137.

<sup>18</sup> Parliament of Victoria, Public Account and Estimates Committee, *Report on the 2020–21 Budget Estimates*, p. 234; Hon Jaclyn Symes MLC, Attorney-General, *Transcript of evidence*, p. 6.

<sup>19</sup> Court Services Victoria, Response to the 2021–22 Budget Estimates General Questionnaire, p. 30.

<sup>20</sup> Ibid., pp. 17-18.

Table 10.1Court Services Victoria—COVID-19 initiatives, 2020–21 and 2021–22

Court	Program name	Purpose	Outcomes and type of funding	Total	funding
			or funding	(\$ million)	
				Output	Asset
2020-21					
Various	Online courts pilot	New purpose-built court facilities pilot to enable judicial officers and support staff to effectively hear cases online to address case backlog caused by the COVID-19 pandemic.	Six 'eCourtrooms' <sup>a</sup> to be delivered by June 2021.	2.8	2.0
Various	Justice recovery	<ul> <li>expand the Online Magistrates Court</li> <li>establish an online case management team in the Childrens' Court of Victoria and employ additional AV link staff</li> </ul>	\$7.2 million funded through Treasurer's Advance in 2020–21. Source of the remainder of the funding is unknown.	10.4	0.2
		<ul> <li>Coroner's Court special investigation into deaths of aged care residents</li> </ul>			
		<ul> <li>additional staff at VCAT for Guardianship List.</li> </ul>			
Various	COVID-19 tribunals continue to operate commenced in		commenced in November 2020	8.2	12.5
		Included physical distancing infrastructure, County Court courtroom technology upgrades, active case management in the Supreme and County Courts, funding for the Online Magistrates Court.	operational by mid-2021.		
Magistrates' Court Victoria (MCV)	Court response to COVID-19 - Online Magistrates' Court (OMC)	Enables matters to be heard online with parties appearing from remote locations across criminal (summary and indictable), civil, and specialist court programs.	OMC is statewide, available in all MCV courts.	Court re to C	onent of esponse OVID-19 nitiative
Victorian Civil and Administrative Tribunal (VCAT)	Victorian Civil and Administrative Tribunal (VCAT) remote hearings services	Digital Service Transformation project and information and communications technology infrastructure upgrades to enable VCAT to hear planning and other matters remotely during the coronavirus (COVID-19) pandemic.		0.8	9.9

Court Program name Purpose		Purpose	Outcomes and type of funding		funding million)
			_	Output	Asset
2021-22					
Various	Responding to increasing pressure on the Victorian justice system	COVIDSafe initiatives across court jurisdictions such as cleaning and personal protective equipment     additional County Court staff to address delays     additional judges for the County Court Criminal Division to address delays.	Includes initiatives not part of the COVID-19 response. Additional to 2020-21 programs—Court response to COVID-19 and Justice Recovery.	33.4	1.4
County Court	County Court Accommodation and Services Renewal Project	Critical upgrades to increase capacity to hear more criminal jury trials, to reduce the backlog of trials caused by COVID-19, to support technology requirements and to provide improved safe areas in the Melbourne building.	New funding from asset appropriation.	-	12.3
MCV	Online Magistrates' Court	Expansion of OMC model to increase capacity to hear matters remotely.	Additional to expenditure in 2020–21 – Court response to COVID-19 and Justice Recovery initiatives.	30.7	10.2
VCAT	VCAT digital services transformation	Upgrade VCAT's digital services infrastructure including the case management system and process automation.	Additional to expenditure in VCAT remote hearing services in 2020–21.	27.8	29.0

eCourtrooms are purpose-built courtrooms where judicial officers—with support staff—can hear cases online effectively with full recording and evidence presentation equipment. Court Services Victoria, Response to the 2021–22 Budget Estimates General Questionnaire, received 21 May 2021, p. 7.

Note: Table 10.1 does not include funding received by the Department of Justice and Community Safety as part of the 2020–21 *Justice Recovery Plan* or in 2021–22 to increase the capacity of Victoria's justice system.

Source: Court Services Victoria, *Response to the 2021–22 Budget Estimates General Questionnaire*, received 21 May 2021, pp. 5–7, 9, 17–18, 30; Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 Service Delivery*, Melbourne, 2020, pp. 146–149; Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery*, Melbourne, 2021, pp. 133–137.

As shown in the table above funding has predominantly been provided to the County and Magistrates' Courts and VCAT. Focus has been placed on uplifting the digital and audio-visual capability of the Magistrates' Court and VCAT.

As a result of these initiatives, CSV advised the Online Magistrates Court (OMC) has heard 9,000 listings online since May 2020, while the Magistrates' Court has advised it hears 8,000 matters per week via WebEx or OMC.<sup>21</sup> By way of comparison in 2019–20

<sup>21</sup> Ibid., pp. 4-6; Magistrates' Court of Victoria, Magistrates' Court of Victoria (MCV) COVID-19 Response, April 2021, <a href="https://www.mcv.vic.gov.au/sites/default/files/2021-04/MCV%20COVID%20recovery%20plan%20April%202021\_0.pdf">https://www.mcv.vic.gov.au/sites/default/files/2021-04/MCV%20COVID%20recovery%20plan%20April%202021\_0.pdf</a> accessed 7 July 2021, p. 5.

the Magistrates' Court held over 600,000 criminal hearings alone—over 11,000 per week.<sup>22</sup> The Attorney-General also advised that overall, pending matters in Victoria's courts and VCAT had reduced by 2% in May 2021, compared to April 2021.<sup>23</sup> As of February 2021 there were over 200,000 pending matters.<sup>24</sup> The Committee was unable to access further data on whether the Government's efforts to reduce the pending matters in Victoria's courts have been effective.

**FINDING 86:** Pending matters in Victoria's courts and the Victorian Civil and Administrative Tribunal have reduced by 2% between April and May 2021. As of February 2021, there were over 200,000 pending matters.

In its *Report on the 2019–20 Financial and Performance Outcomes* inquiry, the Committee highlighted the exponential growth in pending matters in the Children's Court of Victoria (ChCV), in which pending matters for the criminal division rose 106% between June 2019 and June 2020.<sup>25</sup> As demonstrated by Table 10.1, less funding has been allocated to reducing pending matters in the ChCV. Through the Treasurer's Advance received for the *Justice Recovery* initiative ChCV received funding to establish online case management.<sup>26</sup>

The 2021–22 Budget includes funding to continue the implementation of online case management and for additional resources for the Children's Court Clinic, allowing for timely psychological and psychiatric assessment.<sup>27</sup> When asked about how the backlog in the ChCV would be reduced, the Attorney-General told the Committee the Budget would allow for the appointment of four judicial registrars, who are able to progress some lower-level matters.<sup>28</sup>

**FINDING 87:** While the Children's Court of Victoria has seen a large increase in pending matters during the COVID-19 pandemic, the 2020–21 and 2021–22 Budgets contain limited funding for the Children's Court.

#### Continued impact of court backlogs

The Committee notes that in 2021 the Victorian Government has enacted three COVID-19 lockdowns for varying periods of time. In response, during the lockdown periods all Victorian courts and VCAT reverted to only holding matters in person

<sup>22</sup> Criminal matters are just one type of matter the Magistrates' Court of Victoria hears—the court also hears civil and family matters, for example. Source: Magistrates' Court of Victoria, Annual Report 2019–20, Melbourne, 2020, p. 8 (Committee calculation); Magistrates' Court of Victoria, The Court System, 4 December 2018, <a href="https://www.mcv.vic.gov.au/court-system">https://www.mcv.vic.gov.au/court-system</a> accessed 7 July 2021.

<sup>23</sup> Hon Jaclyn Symes MLC, Attorney-General, *Transcript of evidence*, p. 2.

<sup>24</sup> Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2019–20 Financial and Performance Outcomes. p. 144.

<sup>25</sup> Ibid., p. 143.

<sup>26</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 134; Court Services Victoria, *Response to the 2021–22 Budget Estimates General Questionnaire*, p. 30.

<sup>27</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 135.

<sup>28</sup> Hon Jaclyn Symes MLC, Attorney-General, Transcript of evidence, p. 8.

where it was essential the matter proceed, and it was not practicable that the matter proceed remotely.<sup>29</sup> The Chief Justice of the Supreme Court confirmed that due to these changes, some matters would be adjourned for a period of time.<sup>30</sup> These lockdowns in Victoria will grow the number of pending matters and the backlog within Victoria's courts and VCAT, as each jurisdiction changes its activities to comply with public health directions. There is currently no further information on the impact of the 2021 lockdowns on the existing backlogs and pending matters.

**FINDING 88:** During the three COVID-19 lockdowns enacted in 2021, Victoria's courts and the Victorian Civil and Administrative Tribunal limited appearances in person and adjourned some matters. This will put added pressure on the growing number of pending matters and the backlog within the Victorian courts system.

There continues to be uncertainty regarding how long pending matters created by the COVID-19 pandemic will take to clear.

The Chief Judge of the County Court has noted the backlog in Victoria's courts could take four to six years to clear.<sup>31</sup>

The Attorney-General advised the Committee the 2021–22 Budget responds to the stated needs of courts in terms of funding, resources and staffing.<sup>32</sup>

# **10.4** Performance measures

The non-cost performance measures for the Courts output remain unchanged from the previous financial year. There are three types of performance measures broken down by the type of court (i.e. Supreme Court, County Court, Magistrates' Court) and matter (i.e. civil, criminal, coronial). The performance measures are:

- Quantitative: Average cost per case and case clearance rate.
- Qualitative: Court file integrity—availability, accuracy and completeness.
- Timeliness: On time case processing.<sup>33</sup>

Supreme Court of Victoria, COVID-19 Circuit Breaker Restrictions - Message From the Chief Justice, 12 February 2021,

<a href="https://www.supremecourt.vic.gov.au/news/covid-19-circuit-breaker-restrictions-message-from-the-chief-justice">https://www.supremecourt.vic.gov.au/news/covid-19-circuit-breaker-restrictions-message-from-the-chief-justice, 27 May 2021,

<a href="https://www.supremecourt.vic.gov.au/news/covid-19-circuit-breaker-restrictions-message-from-the-chief-justice-0">https://www.supremecourt.vic.gov.au/news/covid-19-circuit-breaker-restrictions-message-from-the-chief-justice-0</a>

accessed 16 July 2021; Supreme Court of Victoria, New COVID-19 Restrictions - Message from the Chief Justice, 16 July 2021,

<a href="https://www.supremecourt.vic.gov.au/news/new-covid-19-restrictions-message-from-the-chief-justice">https://www.supremecourt.vic.gov.au/news/new-covid-19-restrictions-message-from-the-chief-justice</a> accessed

16 July 2021.

<sup>30</sup> Ibid.

<sup>31</sup> Tammy Mills, 'Courts keen to convert empty office buildings amid case backlog', The Age, 30 March 2021, <a href="https://www.theage.com.au/national/victoria/courts-keen-to-convert-empty-office-buildings-amid-case-backlog-20210330-p57f70.html">https://www.theage.com.au/national/victoria/courts-keen-to-convert-empty-office-buildings-amid-case-backlog-20210330-p57f70.html</a> accessed 7 July 2021.

<sup>32</sup> Hon Jaclyn Symes MLC, Attorney-General, *Transcript of evidence*, p. 6.

<sup>33</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 384–388.

The targets for 'Average cost per case' measures were updated to reflect an increase in CSV's overall output budget in 2021–22.<sup>34</sup> CSV has not introduced any new performance measures for inclusion in the budget papers since 2017–18.<sup>35</sup>

No performance measures for the Courts output were proposed to be discontinued in the 2021–22 Budget.

<sup>34</sup> Court Services Victoria, Response to the 2021–22 Budget Estimates General Questionnaire, p. 34.

<sup>35</sup> Ibid., p. 33; Court Services Victoria, Response to the 2020-21 Budget Estimates General Questionnaire, received 25 November 2020, p. 37; Court Services Victoria, Response to the 2019-20 Budget Estimates General Questionnaire, received 29 May 2019, p. 17; Court Services Victoria, Response to the 2018-19 Budget Estimates General Questionnaire, received 15 May 2018, p. 23; Court Services Victoria, Response to the 2017-18 Budget Estimates General Questionnaire, received 17 May 2021, p. 21.

# 11 Department of Treasury and Finance

#### 11.1 Overview

The Department of Treasury and Finance (DTF) supports the ministerial portfolios of the Treasurer, Minister for Economic Development, Assistant Treasurer and Minister for Regulatory Reform.<sup>1</sup>

DTF's mission is to provide economic, commercial, financial and resource management advice to help the Victorian Government deliver its policies.<sup>2</sup>

DTF's departmental objectives include to:

- · optimise Victoria's fiscal resources
- strengthen Victoria's economic performance
- improve how government manages its balance sheet, commercial activities and public sector infrastructure
- deliver strategic and efficient whole of government common services.<sup>3</sup>

# 11.2 Financial analysis

In 2021–22, DTF will receive \$608.5 million in output funding, representing about 0.9% of the total funding provided to all output groups across government. This is an increase of \$140.4 million (30%) compared to the revised estimate of 2020–21 output funding.  $^5$ 

The 2021–22 Budget outlines that DTF will receive \$187 million over the next four years to fund new output initiatives and \$156.5 million in total estimated investment (TEI).<sup>6</sup> Some of the new output initiatives that will receive funds over the next four years include:

- State Revenue Office Advanced Revenue Management Program—\$69.7 million.
- Partnerships Addressing Disadvantage—\$25.7 million.

Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, p. 347.

<sup>2</sup> Ibid

**<sup>3</sup>** Ibid., pp. 347-8.

<sup>4</sup> Ibid., p. 348 (Committee calculation).

<sup>5</sup> Ibid. (Committee calculation).

<sup>6</sup> Ibid., pp. 1, 2.

- Improving expenditure advice, oversight and accountability—\$16.5 million.
- Monitoring and assurance of the state capital program—\$16.2 million.
- Embedding early intervention in government service delivery—\$15.5 million.<sup>7</sup>

Other operating expenses are to increase by \$30 million (14%) in 2021–22 compared to the 2020–21 Budget.<sup>8</sup> DTF's response to the Committee's questionnaire states that this is due to the new output initiatives outlined in the 2021–22 Budget.<sup>9</sup> No further details were provided.

DTF's employee benefits will increase slightly in 2021–22 compared to 2020–21, by \$17 million (7%). DTF estimates fulltime equivalent (FTE) staff to be 1,523 as at 30 June 2021, up from 1,388 as at 30 June 2020. DTF did not provide an FTE forecast for 30 June 2022, stating that forecasts will depend on the workforce transition plans in response to base and efficiency review savings and other savings included in the 2021–22 Budget. D

DTF is estimated to achieve \$55 million in savings over the budget year and forward estimates under the base and efficiency review, with \$5 million to be achieved in 2021–22 in savings and efficiency initiatives.<sup>13</sup>

# 11.3 Treasurer's portfolio: key issues

The Treasurer is responsible for six outputs, two of which are shared with the Assistant Treasurer – Budget and Financial Advice and Commercial and Infrastructure Advice. <sup>14</sup> Funding allocated according to the Treasurer's outputs in 2021–22 is illustrated in Figure 11.1.

<sup>7</sup> Ibid., p. 122 (Committee calculation).

<sup>8</sup> Department of Treasury and Finance, Response to the 2021–22 Budget Estimates General Questionnaire, received 25 May 2021, p. 13.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid., p. 58.

<sup>12</sup> Ibid., p. 58.

<sup>13</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 122 (Committee calculation).

<sup>14</sup> Department of Treasury and Finance, Response to the 2021-22 Budget Estimates General Questionnaire, pp. 71-80.

Infrastructure Victoria \$9.9m
Economic Regulatory Services \$31.7m
Budget and Financial Advice \$36.8m

Commercial and Infrastructure Advice \$83.6m

Economic and Policy Advice \$96.8m

Invest Victoria \$147.7m

Revenue Management and Administrative Services to Government \$153.1m

Figure 11.1 Treasurer's portfolio—funding by output, 2021–22

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery*, Melbourne, 2021, p. 348; Department of Treasury and Finance, *Response to the 2021–22 Budget Estimates General Questionnaire*, received 25 May 2021, pp. 71–80.

The following sections discuss two topics from the budget estimates hearings.

# 11.3.1 Credit ratings

One of the performance measures included under the Commercial and Infrastructure Advice output is to measure the quality of the information provided to credit rating agencies so that credit agencies can assess the Government's financial position.<sup>15</sup>

On 7 December 2020, Standard & Poor's Global Ratings lowered its long term issuer credit rating on Victoria from 'AAA' to 'AA'. On 23 February 2021, Moody's Investors Service downgraded Victoria from Aaa to Aa1 and changed the outlook to negative. 17

At the hearing the Treasurer was asked whether there will be any further negative movements by rating agencies to Victoria's credit ratings. At the time of the hearing, DTF said that the Government had not yet held discussions with the two credit rating agencies. DTF was optimistic and stated that the 2021–22 Budget records a significant improvement in fiscal metrics, which is one of the elements credit rating agencies consider when rating the State's credit quality. Credit rating agencies have not published Victoria's credit ratings for the 2021–22 year.

<sup>15</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 360.

<sup>16</sup> Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020-21 Budget Estimates, April 2021, p. 50.

<sup>18</sup> Mr Richard Riordan MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Treasurer) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, p. 9; Hon Tim Pallas MP, Treasurer, 2021–22 Budget estimates (Treasurer) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, p. 9.

Mr David Martine, Secretary, Department of Treasury and Finance, 2021–22 Budget estimates (Treasurer) hearing, Melbourne, 27 May 2021, Transcript of evidence, p. 9.

<sup>20</sup> Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, p. 9.

General government net debt is estimated to be \$77.5 billion in 2020–21, rising to \$156.3 billion in 2024–25.<sup>21</sup> Interest expenses are forecast to increase by 7.7% in 2021–22 and will grow at an average of 16.1% a year over the forward estimates.<sup>22</sup>

The ratio of interest expense to revenue is a long term indicator of the State's ability to service its debt.<sup>23</sup> The 2021–22 Budget outlines that interest expenses as a percentage of revenue will average 4.7% a year over the budget and forward estimates.<sup>24</sup> The Committee notes that the interest expense as a percentage of total expenses will be 3.5% in 2021–22 and will average 4.5% a year over the budget and forward estimates.<sup>25</sup>

**FINDING 89:** General government net debt is estimated to be \$77.5 billion in 2021–22, increasing to \$154.8 billion in 2024–25. Interest expenses are estimated to increase by 7.7% in 2021–22. Interest expenses as a share of total revenue are expected to average 4.7% over the next four years.

# 11.3.2 Early Intervention Investment Framework

The 2021–22 Budget stated that in the past, a large portion of government expenditure was directed towards acute services.<sup>26</sup> These include services such as hospital admissions, ambulance transport, the prison system, or placement of children in out of home care. In comparison, the Government's spending on prevention and early intervention programs remains low.<sup>27</sup> The Government acknowledges investing in the wellbeing of the community earlier,<sup>28</sup> will reduce the need for acute services and will:

improve outcomes for Victorians and reduce funding pressures through avoided costs – freeing up funding capacity for other priorities.<sup>29</sup>

The 2021–22 Budget allocates \$15.5 million to the implementation of the Early Intervention Investment Framework (EIIF).<sup>30</sup> The framework 'links investment to measurable impacts on both the outcomes of people using the services and the service system.'<sup>31</sup>

<sup>21</sup> Department of Treasury and Finance, Budget Paper No. 2: 2021–22 Strategy and Outlook, Melbourne, 2021, p. 6.

<sup>22</sup> Ibid., p. 66.

<sup>23</sup> Parliamentary Budget Office, *Victorian Budget 21/22 – independent snapshot*, 2021, <a href="https://pbo.vic.gov.au/Victorian\_Budget\_2021-22">https://pbo.vic.gov.au/Victorian\_Budget\_2021-22</a> - independent\_snapshot> accessed 29 June 2021.

<sup>24</sup> Department of Treasury and Finance, Budget Paper No. 2: 2021–22, p. 66.

<sup>25</sup> Ibid., p. 61 (Committee calculation).

<sup>26</sup> Ibid., p. 46.

<sup>27</sup> Ibid., p. 46.

<sup>28</sup> Hon Tim Pallas MP, Treasurer, Transcript of evidence, p. 22.

<sup>29</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2021–22*, p. 47.

<sup>30</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 122 (Committee calculation).

<sup>31</sup> Department of Treasury and Finance, Budget Paper No. 2: 2021–22, p. 55.

The budget papers explained:

The methodology will incorporate linked administrative data to ensure initiatives are appropriately targeted and properly measured. This work is expected to help inform future funding decisions.<sup>32</sup>

The funding allocated in the 2021–22 Budget is to implement the EIIF including the development of methods to measure and track outcomes, avoided costs and impacts of interventions on acute service demand.<sup>33</sup> The budget papers state that the EIIF is similar to the New Zealand wellbeing budget model.<sup>34</sup>

The 2021–22 Budget allocates \$324 million over four years towards 10 initiatives that are linked to the EIIF. The following initiatives in Table 11.1 will be linked to the EIIF.

**Table 11.1** Initiatives under the Early Intervention Investment Framework

Program name	Output	2021-22	2022-23	2023-24	2024-25	Total
		(\$ million)				
Marrung (Koorie initiatives package)	Whole of Government – Aboriginal Affairs	8.7	10.2	9.9	10.5	39.3
Giving vulnerable and disadvantaged kids the best start in life	Early Childhood Education	8.6	8.2	8.5	8.5	33.8
Early intervention and diversion	Child Protection and Family Services	15.6	25.9	16.5	12.3	70.3
Putting families first	Child Protection and Family Services	5.3	6.2	6.3	-	17.8
Tackling rough sleeping	Housing Assistance	5.9	8.1	10.2	2.0	26.2
Engaging and supporting at-risk young people	Youth	9.2	9.2	-	-	18.4
100 000 lives	Acute Health Services	9.6	10.6	13.4	11.9	42.7
Driving shorter wait lists and better outcomes from elective surgery	Acute Health Services	10.6	10.6	0.2	0.1	21.5
Crime prevention initiatives	Community Crime Prevention	14.7	1.7	1.7	1.7	19.8
Legal assistance and critical early intervention support services	Public Prosecutions and Legal Assistance	10.1	9.3	9.5	2.2	31.1
Total		98.3	100.0	76.3	49.2	323.8

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery*, Melbourne, 2021, pp. 3, 21, 46, 47, 59, 88, 89 (Committee calculation).

<sup>32</sup> Ibio

<sup>33</sup> Ibid.

**<sup>34</sup>** Ibid., p. 52.

At the hearing, the Treasurer advised that the EIIF is a work in progress and requires further development. Discussing the initiatives relating to EIIF, the Treasurer stated that these 10 initiatives provide support for:

people with chronic health conditions, patients waiting to receive elective surgery, Victorians who are at risk of chronic homelessness, families showing early signs of vulnerability and at risk of interacting with the statutory child protection system, and disengaged young people.<sup>35</sup>

The Committee observes that the areas funded under the framework have had a history of underinvestment and require critical investment to meet existing demand. For example, the *Inquiry into Homelessness in Victoria* found that one in every 57 Victorians presented to a homelessness service in 2018–19.<sup>36</sup> The *Report on Government Services 2021* shows that in 2019–20 elective surgery waiting list turn over<sup>37</sup> in Victoria was 94.6%, less than the benchmark of 100%.<sup>38</sup> A less than 100% elective surgery waiting list turn over indicates that the number of patients on the waiting list has increased.<sup>39</sup>

As the EIIF has not been finalised at the time of this report, the Committee is unable to assess the methodology that will be used by DTF to measure outcomes of the 10 initiatives under the framework. Notwithstanding the new initiatives, the Committee is of the opinion that the process to measure outcomes of initiatives should be designed into the initiatives. It is also unclear if DTF will publish the EIIF outcomes in the budget papers or in a dedicated separate document focusing on early intervention initiatives.

**FINDING 90:** The 2021–22 Budget allocates \$15.5 million to the implementation of the Early Intervention Investment Framework. The 2021–22 Budget includes \$324 million in funding to 10 initiatives that will focus on intervening early and directing demand away from acute services. These initiatives are in the areas of Aboriginal Affairs, early childhood education, health, homelessness and crime prevention.

**FINDING 91:** The Early Intervention Investment Framework (EIIF) is a work in progress and the Government is designing the methodology to measure the outcomes of the programs announced under the EIIF. The Government has announced the initiatives prior to having a methodology in place to accurately measure the outcomes.

<sup>35</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 23.

<sup>36</sup> Parliament of Victoria, Legislative Council, Legal and Social Issues Committee, Inquiry into homelessness in Victoria, March 2021, p. 32.

<sup>&#</sup>x27;Elective surgery waiting list turn over' is an indicator of the Government's objective to provide timely and accessible services to all. It is measured as the number of people removed from public hospital elective surgery waiting lists following admission for surgery during the reference year, divided by the number of people added to public hospital elective surgery waiting lists during the same year, multiplied by 100. 100% indicates that an equal number of patients were added to public hospital elective surgery waiting lists as were removed following admission for surgery during the reporting period (therefore the number of patients on the waiting list will be largely unchanged). Source: Productivity Commission, Report on Government Services 2021 – 12 Public Hospitals, Public hospitals interpretative material, 28 January 2021, p. 12.6.

<sup>38</sup> Productivity Commission, Report on Government Services 2021 - 12 Public Hospitals, Public hospitals - data tables contents, Elective surgery waiting list turn over, 28 January 2021, Table 12A.33.

<sup>39</sup> Productivity Commission, Report on Government Services 2021 - 12 Public Hospitals, Public hospitals interpretative material, p. 12.6.

**RECOMMENDATION 37:** The Department of Treasury and Finance (DTF) publish the methodology that will be utilised when assessing the outcomes of the initiatives under the Early Intervention Investment Framework. Additionally, DTF provide information to clarify how the targets and outcomes of these initiatives will be published once the Framework commences.

# 11.4 Assistant Treasurer: key issues

The Assistant Treasurer is responsible for the Services to Government output which has a funding allocation of \$48.9 million in 2021–22. The Assistant Treasurer also shares the responsibility with the Treasurer for the following outputs:

- Budget and Financial Advice—\$36.8 million in 2021-22
- Commercial and Infrastructure Advice—\$83.6 million in 2021–22.40

# 11.4.1 Risk Management Framework

The Victorian Government Risk Management Framework (VGRMF) outlines the management practices agencies must undertake to demonstrate that they are managing risk effectively, including shared and state significant risk.<sup>41</sup>

DTF updated the VGRMF<sup>42</sup> in August 2020 to address the recommendations made by the Victorian Auditor-General's audit report on *Implementation of the Government Risk Management Framework* as well as the Public Accounts Estimates Committee's *Report on the 2017–18 Budget Estimates*.<sup>43</sup> The updated framework came into effect from 1 July 2021.<sup>44</sup>

The Committee notes that most of the criteria required under risk management requirements have been updated. Two new requirements have been added and one requirement has been removed since the previous 2015 version.<sup>45</sup> Most notably, the criteria under shared risk between government agencies has been updated: shared risks (previously known as interagency risks) are now identified and managed through communication, collaboration and/or coordination by the impacted agencies.<sup>46</sup>

**<sup>40</sup>** Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 348; Department of Treasury and Finance, *Response to the 2021–22 Budget Estimates General Questionnaire*, pp. 71–80.

<sup>41</sup> Department of Treasury and Finance, Victorian Government Risk Management Framework, Melbourne, 2020, p. 3.

<sup>42</sup> The Victorian Government Risk Management Framework 2015 was previously updated in 2018. Source: Victorian Managed Insurance Authority, *Key changes in the revised Victorian Government Risk Management Framework (VGRMF)*, Melbourne, 2020, p. 4.

<sup>43</sup> Department of Treasury and Finance, *Victorian Government Risk Management Framework*, p. 1; Victorian Auditor General's Office, *Implementation of the Government Risk Management Framework*, Melbourne, October 2013; Public Accounts and Estimates Committee, *Report on the 2017-18 Budget Estimates*, October 2017, Parliament of Victoria, pp. 193–215.

**<sup>44</sup>** Victorian Managed Insurance Authority, *Key changes in the revised Victorian Government Risk Management Framework (VGRMF)*, p. 1.

**<sup>45</sup>** Ibid., pp. 4-5.

<sup>46</sup> Ibid., p. 4.

At the hearing, the Assistant Treasurer was asked if there were any associated costs to implementing the updated VGRMF. DTF explained that the implementation of the updated framework is not expected to burden the departments with additional costs.<sup>47</sup> DTF further explained that the objective of the updated framework is to better manage risks and thereby reduce costs in the future.<sup>48</sup>

**FINDING 92:** The Victorian Government Risk Management Framework was updated in August 2020 and came into effect on 1 July 2021. Almost all criteria required under the risk management requirements have been updated. In particular, the criteria under shared risk between government agencies has changed.

**FINDING 93:** Departments and agencies are not expected to incur any additional costs when updating existing processes and systems under the new Victorian Government Risk Management Framework.

# 11.4.2 Capital assets charge policy

The capital assets charge (CAC) is a charge levied on the budgeted written down value of controlled non-current physical assets of the department. It aims to attribute to the department outputs the cost of capital used in service delivery. CAC incentivised departments to identify and dispose of underutilised or surplus non-current physical assets.<sup>49</sup>

The CAC policy has been discontinued and therefore removed from output costs in the 2021–22 Budget.<sup>50</sup>

At the hearing, the Assistant Treasurer provided the history of the origin of CAC and explained the CAC expense process. DTF imposes a levy rate of 8% on the physical asset reported on the balance sheet.<sup>51</sup> A department's CAC expense is included in its annual appropriation.<sup>52</sup> Departments then pay the same CAC expense amount to the Consolidated Fund.<sup>53</sup> The Victorian Government has used this CAC policy since 1994–95.<sup>54</sup>

<sup>47</sup> Mr David Martine, Secretary, Department of Treasury and Finance, 2021–22 Budget estimates (Assistant Treasurer) hearing, Melbourne, 16 June 2021, *Transcript of evidence*, p. 5.

**<sup>48</sup>** Ibid., p. 5.

**<sup>49</sup>** Victorian Government, *Financial statements*, 22 December 2020, <a href="https://www.vic.gov.au/department-premier-and-cabinet-annual-report-2019-20/financial-statements">https://www.vic.gov.au/department-premier-and-cabinet-annual-report-2019-20/financial-statements</a> accessed 2 July 2021.

<sup>50</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 147–388.

<sup>51</sup> Department of Treasury and Finance, Resource Management Framework, Melbourne, 2020, p. 119.

**<sup>52</sup>** Ibid.

<sup>53</sup> Hon Danny Pearson MP, Assistant Treasurer, 2021–22 Budget estimates (Assistant Treasurer) hearing, Melbourne, 16 June 2021, Transcript of evidence, p. 12; Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 146.

**<sup>54</sup>** Hon Danny Pearson MP, Assistant Treasurer, *Transcript of evidence*, p. 11.

The Assistant Treasurer provided several reasons for the discontinuation of the CAC policy, stating that the imposition of CAC was to incentivise the departments to increase the performance of the department's asset base. However, on many occasions departments were funded under the CAC expenses but they were not able to release the assets or find ways to dispose of assets, meaning their actions did not change and the charge had no effect.<sup>55</sup> He further stated that CAC has become obsolete due to the implementation of newer accounting standards such as AASB 16.<sup>56</sup>

The Committee notes that due to the discontinuation of the CAC policy, departments' output expenditure has reduced by \$7.4 billion in 2021–22.<sup>57</sup> Similarly, this reduction in CAC expenses leads to an equivalent amount being reduced from the appropriation funding to departments. The removal of CAC policy therefore improves the presentation of the Victorian Government's financial position by significantly reducing its nominal expenditure. The CAC expenses saved by each department, Court Services Victoria and Parliamentary departments are shown in Table 11.2.

Table 11.2 Capital asset charge expenses by department/body

Name	2020-21 revised estimate	2021-22 budget
	(\$ million)	(\$ million)
Department of Transport	-2,644.8	-2,821.3
Department of Education and Training	-1,996.2	-2,076.0
Department of Health	-1,369.6	-1,503.9
Department of Justice and Community Safety	-425.4	-487.8
Department of Jobs, Precincts and Regions	-170.3	-165.0
Department of Environment, Land, Water and Planning	-96.1	-95.8
Department of Treasury and Finance	-71.7	-80.4
Department of Families, Fairness and Housing	-54.7	-62.2
Court Services Victoria	-48.3	-49.0
Department of Premier and Cabinet	-11.3	-11.1
Parliamentary departments	-7.6	-9.3
Total	-6,896.0	-7,361.8

Notes: A negative sign in an expense indicates a reduction in expense, therefore a saving.

Capital asset charge removal does not affect the Government's output expenditure on service delivery. The Committee notes that this is merely a change in the presentation of the financial statements.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery*, Melbourne, 2021, pp. 147–388 (Committee calculation).

<sup>55</sup> Ibid., p. 12.

**<sup>56</sup>** Ibid., p. 12.

<sup>57</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, pp. 147–388 (Committee calculation).

**FINDING 94:** The 2021–22 Budget discontinues the capital assets charge (CAC) policy which has been operational since 1994–95. By discontinuing the CAC, the Victorian Government's expenditure appears to have fallen by \$7.4 billion in 2021–22. However, this does not represent a fall in actual expenditure: the CAC affected both appropriation and expenditure by the same amount meaning its removal has a net zero effect on the Budget.

#### 11.4.3 Reducing emissions from government activities

#### **Government energy consumption**

At the hearing, the Assistant Treasurer was asked to outline the steps taken by the Government to reduce emissions from the Government's energy use.<sup>58</sup> The Assistant Treasurer stated that the energy sector is the single largest source of Victoria's greenhouse gas emissions and accounted for about 70% of the State's total emissions in 2019.<sup>59</sup>

In 2019–20, the Government incurred \$275 million in electricity expenditure across two purchase contracts, excluding the contract relating to Health Purchasing Victoria. The two contracts relate to 13,000 sites including Metro Trains, Yarra Trams, schools, police stations and departments. According to the Assistant Treasurer, these sites have an average annual load of 1,300 gigawatt hours.

The 2020–21 Budget outlined \$59.9 million in asset funding for the *Greener Government Buildings* program.<sup>62</sup> The Assistant Treasurer stated that the Government is committing to switching to 100% renewal electricity for all government operations by 2025.<sup>63</sup> The Assistant Treasurer noted that the second Victorian Renewable Energy Target (VRET) auction, launched in September 2020,<sup>64</sup> would ensure the Government's target of switching to 100% renewable energy by 2025 is met.<sup>65</sup>

Interim targets for the whole of Victoria include renewable energy generation to be 25% of electricity generation by 2020, 40% by 2025 and 50% by 2030.<sup>66</sup> More than 26% of Victoria's energy was sourced through renewable energy in 2020.<sup>67</sup>

<sup>58</sup> Ms Pauline Richards MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Assistant Treasurer) hearing, Melbourne, 16 June 2021, *Transcript of evidence*, p. 12.

<sup>59</sup> Hon Danny Pearson MP, Assistant Treasurer, Transcript of evidence, p. 14.

<sup>60</sup> Ibid.

<sup>61</sup> Ibid., p. 12.

<sup>62</sup> Department of Treasury and Finance. Budget Paper No. 3: 2020-21 Service Delivery. Melbourne. 2020, p. 141.

<sup>63</sup> Hon Danny Pearson MP, Assistant Treasurer, Transcript of evidence, pp. 12, 14.

<sup>64</sup> Hon Lily D'Ambrosio MP, More Renewables To Help Drive Victoria's Economic Recovery, media release, 02 September 2020.

<sup>65</sup> Hon Danny Pearson MP, Assistant Treasurer, Transcript of evidence, p. 14.

<sup>66</sup> Department of Environment, Land, Water and Planning, Victorian Renewable Energy Target, 2019–20 Progress Report, 2020, p. 4; Department of Environment, Land, Water and Planning, VRET 2017 Reverse Auction Outcomes, Question and Answers, 2017, <a href="https://www.energy.vic.gov.au/">https://www.energy.vic.gov.au/</a> data/assets/pdf\_file/0023/391172/VRET\_FAQ.pdf> accessed 7 July 2021.

<sup>67</sup> Department of Environment, Land, Water and Planning, Victoria's renewable energy targets, 12 January 2021, <a href="https://www.energy.vic.gov.au/renewable-energy/victorias-renewable-energy-targets">https://www.energy.vic.gov.au/renewable-energy/victorias-renewable-energy-targets</a> accessed 2 July 2021.

**FINDING 95:** Victoria met its first Victorian Renewable Energy Target—25% of energy to be sourced from renewable energy in 2020. In 2020, more than 26% of Victoria's electricity was sourced through renewable energy.

The Committee notes that the Buying for Victoria website reports the number of past and current projects under the *Greener Government Buildings* program. The website outlines the amount of greenhouse gas savings each project has achieved.<sup>68</sup> While this information is useful, there is no performance measure in the budget papers to indicate the Government's progress in achieving 100% renewable energy in government activities by 2025.

**FINDING 96:** In 2019–20, the Government spent \$275 million on electricity, excluding health services. The Government has a target to source 100% renewable electricity for government operations by 2025.

**FINDING 97:** The Victorian Government publishes details of past and current projects under the *Greener Government Buildings* program. However, there is no performance measure in the budget papers to monitor the Government's progress in achieving 100% renewable energy by 2025.

**RECOMMENDATION 38:** The Department of Treasury and Finance include the 100% renewable energy in government operations by 2025 target in the budget paper performance measures.

#### Zero emission vehicles—VicFleet

The 2021–22 Budget allocates \$3.2 million in 2021–22 and \$11.8 million in 2022–23 (a total of \$15 million) to encourage the purchasing of zero emission vehicles (ZEVs) across the Government fleet.<sup>69</sup> The Assistant Treasurer advised that this initiative is an important initial step.<sup>70</sup>

At the hearing, the Assistant Treasurer outlined that as at 30 March 2021 VicFleet managed a total of 11,324 vehicles, of which 2,052 were hybrid vehicles and five were electric cars.<sup>71</sup> The Assistant Treasurer informed the Committee that VicFleet will increase to 16,000 vehicles in two years.<sup>72</sup> The Assistant Treasurer further outlined that

<sup>68</sup> Buying for Victoria, Energy performance contract, 17 March 2021, <a href="https://www.buyingfor.vic.gov.au/energy-performance-contract">https://www.buyingfor.vic.gov.au/energy-performance-contract</a> accessed 2 July 2021.

<sup>69</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, pp. 122, 125.

<sup>70</sup> Hon Danny Pearson MP, Assistant Treasurer, *Transcript of evidence*, p. 13.

**<sup>71</sup>** Ibid., p. 12

<sup>72</sup> Hon Danny Pearson MP, Assistant Treasurer, 2020–21 Budget estimates (Assistant Treasurer) hearing, Melbourne, 01 December 2020, *Transcript of evidence*, p. 1.

the 2021–22 Budget funding allocation will focus on supporting VicFleet to replace 400 vehicles with ZEVs.<sup>73</sup> This will mean that in two years, ZEVs will account for only 2.5% of VicFleet. When asked whether this funding will be applied to a specific department or across the whole of government, the Assistant Treasurer responded that VicFleet's first step will be to understand the departments' and agencies' requirements and assess the appetite for these vehicles.<sup>74</sup>

Government departments quantify greenhouse gas emissions from their fleet vehicles in their annual reports. However, the Committee notes that VicFleet does not have a specific target for the reduction of greenhouse gas emissions.<sup>75</sup>

**FINDING 98:** As at 30 March 2021, there were 11,324 vehicles in VicFleet, of which 2,052 were hybrid vehicles and five were electric cars. The 2021–22 Budget allocates \$15 million across the next two years to increase the number of zero emission vehicles in the Government fleet. The 2021–22 Budget will replace 400 vehicles with zero emission vehicles in two years, representing approximately 2.5% of VicFleet.

**FINDING 99:** The budget papers do not have a performance measure to monitor total greenhouse gas emissions generated by the Government fleet.

**RECOMMENDATION 39:** The Department of Treasury and Finance create a performance target to account for the greenhouse gas emissions produced by VicFleet and report on the progress made in the reduction of emissions produced by government vehicles.

# 11.4.4 Regulation reform package

The 2020–21 Budget included a funding allocation of \$74.8 million over the four years for the *Regulatory reform package*. Key programs under this initiative include *Regulatory Reform Incentive Fund (RRIF)*, *Fast Track Review Unit* and *Business Licensing*:77

- RRIF—a fund to support government departments and local governments to implement priority reform initiatives.
- Fast Track Review Unit—the unit will review regulatory issues impacting businesses to help regulators and local councils streamline and improve their processes.

<sup>73</sup> Hon Danny Pearson MP, Assistant Treasurer, 2021–22 Budget estimates (Assistant Treasurer) hearing, Melbourne, 16 June 2021, Transcript of evidence, p. 12.

<sup>74</sup> Ibid., p. 13.

<sup>75</sup> Ibid., p. 14.

<sup>76</sup> Department of Treasury and Finance, Budget Paper No. 3: 2020-21, p. 137 (Committee calculation).

<sup>77</sup> Hon Danny Pearson MP, 2021–22 Budget estimates hearings presentation: Regulatory Reform, supplementary evidence received 16 June 2021, p. 3.

 Business Licencing Review—of how licensing is undertaken to identify opportunities to reduce or consolidate the licenses required for conducting business in Victoria.<sup>78</sup>

The *RRIF* of \$40 million focuses on identifying and funding regulatory reform projects across government. At the hearing, the Minister for Regulatory Reform outlined that \$15 million of \$40 million was spent in the 2020–21 financial year and the balance will be expended in 2021–22.<sup>79</sup> The Minister said 22 initiatives were funded in the first tranche with the following programs receiving funding:

- Heavy vehicle permit reform.
- · Simplifying Victoria's Food Safety Program.
- Moving permits and applications online.<sup>80</sup>

The Minister was asked how many departments, local councils and other agencies are eligible for the fund. The Minister stated that there are potentially 100 eligible organisations who could apply for the fund and confirmed less than half would receive funds for regulatory reform activities.<sup>81</sup>

**FINDING 100:** The 2020–21 Budget included a funding allocation of \$74.8 million to the *Regulatory reform package*. The \$40 million *Regulation Reform Initiative Fund* has expended \$15 million in 2020–21 financial year and supported 22 projects.

Responding to a question taken on notice, DTF outlined that the following assessment criteria for projects under RRIF:

- Highest overall economic benefits (and a benefit-cost ratio of at least one).
- Feasibility and ability to deliver projects in a timely manner.
- Meet RRIF objective to support economic recovery and job creation through improvements to Victoria's regulatory system.
- Contribute to broader Victorian Government policy and State Budget objectives.82

The departments that received RRIF funding in the 2020–21 financial year are set out in Table 11.3.

<sup>78</sup> Department of Treasury and Finance, Response to the 2021–22 Budget Estimates General Questionnaire, p. 47.

<sup>79</sup> Hon Danny Pearson MP, Minister for Regulatory Reform, 2021–22 Budget estimates (Regulatory Reform) hearing, Melbourne, 16 June 2021, *Transcript of evidence*, p. 3.

<sup>80</sup> Hon Danny Pearson MP, 2020–21 Budget estimates hearings presentation: Regulatory Reform, supplementary evidence received 16 June 2021, pp. 3–4.

<sup>81</sup> Hon Danny Pearson MP, Minister for Regulatory Reform, *Transcript of evidence*, p. 5.

**<sup>82</sup>** Hon Danny Pearson MP, Minister for Regulatory Reform, 2021–22 Budget estimates (Regulatory Reform) hearing, response to questions on notice, received 9 July 2021, p. 3.

Table 11.3 Regulation Reform Initiative Fund (RRIF) recipients, 2020–21

Department	Number of RRIF initiatives
Department of Environment, Land Water and Planning	6
Department of Health	2
Department of Transport	5
Department of Education and Training	3
Department of Justice and Community Safety	5
Department of Jobs, Precincts and Regions	1
Total	22

Source: Hon Danny Pearson MP, Minister for Regulatory Reform, 2021–22 Budget estimates (Regulatory Reform) hearing, response to questions on notice, received 9 July 2021, p. 3.

The Committee notes that there are two new performance measures outlined under the *Regulatory reform package* initiative. The Committee identified issues with the new performance measures. This is discussed in Section 11.6.1.

# 11.5 Economic Development portfolio: key issue

The Minister for Economic Development is responsible for the Invest Victoria output.<sup>83</sup> The 2021–22 Budget allocates \$147.7 million to the Invest Victoria output, an increase of \$10.4 million (7.6%), compared to the 2020–21 Budget.<sup>84</sup> However, the Committee notes that 2020–21 Budget has been revised down from \$137.3 million to \$58.4 million.<sup>85</sup> The Budget states that this is due to the delays in grant programs arising from the COVID-19 pandemic and related economic conditions.<sup>86</sup>

This section will focus on the *Venture Growth Fund* (VGF) initiative as discussed at the hearing.

#### 11.5.1 Venture Growth Fund

The VGF was announced in the 2020–21 Budget with an output allocation of \$25.5 million in 2020–21 and a further \$0.3 million over the three years following 2020–21.87

<sup>83</sup> Department of Treasury and Finance, Response to the 2021-22 Budget Estimates General Questionnaire, p. 77.

<sup>84</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22, p. 348.

<sup>85</sup> Ibid

**<sup>86</sup>** Ibid., p. 358.

<sup>87</sup> Department of Treasury and Finance, Budget Paper No. 3: 2020-21, p. 137.

Through VGF, the Victorian Government will co-invest with institutional investors to provide debt financing to start-ups or scale-ups to expand their business and create new jobs.<sup>88</sup>

In DTF's response to the Committee's questionnaire, DTF stated that Ernst & Young and King & Wood Mallesons have been engaged as the project's commercial and legal advisors, respectively. In addition, a senior financial analyst has been recruited to administer the program.<sup>89</sup> DTF outlined that the following activities have been undertaken as at May 2021:

- stakeholder engagement to understand the appetite and concerns of the industry
- draft of the corporate governance structure
- release of the expression of interest to stakeholders
- analysis of the fund design.90

DTF further stated that following a rigorous evaluation and selection process, a fund manager will be appointed in July 2021, with the expectation of launching the program in August 2021.<sup>91</sup>

A Committee member asked why the Government would compete against private lenders by facilitating financing to start-up firms. The Minister advised that the Reserve Bank of Australia had identified that small to medium firms experience difficulties in accessing finances and stated that a similar model is applied by the New South Wales Government. The further outlined that the venture capital market is underdeveloped in Australia and providing the required finances to potential high-growth companies presents an opportunity for future growth in investment in the State.

**FINDING 101:** The 2020–21 Budget allocated \$25.8 million to the *Venture Growth Fund*. The program will be launched in August 2021.

<sup>88</sup> Invest Victoria, Venture Growth Fund, 27 May 2021, <a href="https://www.invest.vic.gov.au/how-we-can-help/incentives-grants-and-programs/venture-growth-fund">https://www.invest.vic.gov.au/how-we-can-help/incentives-grants-and-programs/venture-growth-fund</a> accessed 4 July 2021; Hon Tim Pallas MP, 2020–21 Budget estimates hearings presentation: Economic Development, supplementary evidence received 27 May 2021.

<sup>89</sup> Department of Treasury and Finance, Response to the 2021–22 Budget Estimates General Questionnaire, pp. 7–8.

<sup>90</sup> Ibid., pp. 7-8.

<sup>91</sup> Ibid., p. 11.

**<sup>92</sup>** Mr David Limbrick MLC, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Economic Development) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, p. 7.

<sup>93</sup> Hon Tim Pallas MP, Minister for Economic Development, 2021–22 Budget estimates (Economic Development) hearing, Melbourne. 27 May 2021. Transcript of evidence. p. 7.

<sup>94</sup> Ms Danni Jarrett, Acting Chief Executive Officer, Invest Victoria, 2021–22 Budget estimates (Economic Development) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, p. 7.

# 11.6 Performance measures

# 11.6.1 Department wide: analysis of new performance measures

DTF added five new performance measures in the 2021–22 Budget. The Committee identified weaknesses in three of the five new performance measures (Table 11.4).

**Table 11.4** Issues with problematic new performance measures (2021–22)

Output	New performance measure	Issues identified by PAEC
Economic and Policy Advice (Quantity)	Regulation reviews completed	The 2021-22 Budget introduces two new performance measures relating to the <i>Regulation reform package</i> outlined in the 2020-21 Budget.
(dudinity)		One of the new performance measures includes a target to complete six regulation reviews in 2021–22. The measure relating to the <i>Regulation reform package</i> should focus on outcomes—how well the reform packages assisted businesses and measure the efficiency of any new reform.
Economic and Policy Advice	Regulation reviews completed by scheduled date	As above, this performance measure relates to the Regulation reform package.
(Timeliness)		DTF aims to achieve 100% in completing regulation reviews by a scheduled date. The Committee notes that this unit of measure is not clearly specified. It is also an output rather than outcomes focussed.
Commercial and Infrastructure Advice (Quantity)	Number of cost redesign reviews undertaken	According to DTF, 'using an experienced external consultancy, Office of Projects Victoria (OPV) will enhance the Project Assurance Review process with respect to design and materials. An experienced external consultancy will be tasked with urgent intervention while recovery projects are getting underway, as well as supporting bringing on new team members to ensure best practice within OPV'.
		DTF further states that based on evidence there is an opportunity for the Government to reduce costs by 15% on publicly announced commitments through design and materials changes, if done at the appropriate time.
		DTF aims to focus on nine projects for the 2021-22 year. The most important outcome of this performance measure is the amount saved due to OPV projects. The amount saved in dollars would be a more useful and transparent unit of measurement for this performance measure.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery*, Melbourne, 2021, pp. 351–263; Department of Treasury and Finance, *Response to the 2021–22 Budget Estimates General Questionnaire*, received 25 May 2021, pp. 47–51.

**RECOMMENDATION 40:** The Department of Treasury and Finance (DTF) address the shortcomings identified by the Committee in the new DTF performance measures introduced in the 2021–22 Budget.

# 11.6.2 Department wide: analysis of discontinued performance measures

The 2021–22 Budget outlines three of DTF's performance measures to be discontinued. The Committee supports the discontinuation of two performance measures as they have been replaced with new performance measures. The performance measure outlined in Table 11.5 should be reinstated.

#### **Table 11.5** Issues with the performance measure proposed for discontinuation (2021–22)

Output	Discontinued performance measure	Issues identified by PAEC
Invest Victoria (Quantity)	New investment resulting from government facilitation services and assistance	There is one measure relating to the jobs generated through government facilitated services. However the Committee believes this broader measure should be retained given the significance of government expenditure in this area.

Source: Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, p. 400.

**RECOMMENDATION 41:** The Department of Treasury and Finance reinstate the 'new investment resulting from government facilitation services and assistance' performance measure as there is a requirement to account for the investment made through whole of government investment.

# 12 Department of Premier and Cabinet

#### 12.1 Overview

The Department of Premier and Cabinet (DPC) supports the ministerial portfolios of the Premier, Government Services, Industrial Relations and Aboriginal Affairs.<sup>1</sup> DPC's mission is 'to support the people of Victoria by: helping government achieve its strategic objectives, providing leadership to the public sector to improve its effectiveness and promoting collaboration across government to drive performance and improve outcomes.<sup>2</sup>

Changes during the 2021-22 financial year include:

- The ministerial portfolios of Equality, Multicultural Affairs, Prevention of Family Violence, Veterans, Women's Policy and Youth were moved from DPC to the new Department of Families, Fairness and Housing (DFFH) on 1 February 2021.<sup>3</sup>
- The administrative office Bushfire Recovery Victoria was transferred from DPC to the Department of Justice and Community Safety on 1 July 2020.<sup>4</sup>

# **12.2** Financial analysis

In 2021–22 DPC has the second smallest budget of all Victorian Government departments, representing 0.7% of total government output.<sup>5</sup> In the 2021–22 Budget DPC is allocated \$513.2 million to fund its outputs, a decrease of 7.3% compared to the \$555.3 million in the 2020–21 Budget.<sup>6</sup>

DPC's output appropriations are budgeted at \$470 million, a decrease of 29.1% compared to \$663 million in the 2020–21 Budget. DPC explains this decrease is due to the outputs that were transferred to DFFH and COVID-19 related funding in the 2020–21 year.

<sup>1</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, p. 312.

<sup>2</sup> Ibid

<sup>3</sup> Department of Families, Fairness and Housing, *About us*, 2021, <a href="https://www.vic.gov.au/dffh/about-us">https://www.vic.gov.au/dffh/about-us</a> accessed 20 June 2021; Department of Premier and Cabinet, *Response to the 2021-21 Budget Estimates General Questionnaire*, received 21 May 2021, p. 90.

<sup>4</sup> Department of Premier and Cabinet, Annual Report 2019-20, Melbourne, 2020, p. 111.

<sup>5</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021-22*, p. 313 (Committee calculation).

<sup>6</sup> Ihid

<sup>7</sup> Ibid., p. 314 (Committee calculation).

<sup>8</sup> Department of Premier and Cabinet, Response to the 2021-22 Budget Estimates General Questionnaire, p. 17.

The three largest new output appropriations in the 2021–22 Budget over the forward estimates come under DPC's Digital Government and Communications output. They are:

- Cyber Safe Victoria 2021+—\$50.8 million
- Enhancing customer experience with more digital services for Victorians—\$50.7 million
- Single Digital Presence—\$29.2 million.9

DPC's special appropriations for 2021–22 is \$43.1 million, 47.9% less than in 2020–21.<sup>10</sup> DPC explains that special appropriations in 2020–21 was higher due to local council elections held in 2020.<sup>11</sup>

Employee expenses are forecast to slightly increase by \$11 million (3.3%) in 2021–22 compared to the 2020–21 Budget, despite outputs being transferred to DFFH.<sup>12</sup>

In 2021–22 DPC has a total savings target of \$10.3 million and a further \$57.5 million over the forward estimates.<sup>13</sup> As with many departments, DPC plans to do this by streamlining administrative and policy functions, improving procurement efficiency and reducing consultancy expenditure.<sup>14</sup>

# 12.3 Premier's portfolio: key issues

The Premier is responsible for four outputs with a total funding of \$307.3 million in 2021–22:15

- Governmentwide Leadership Reform and Implementation (funding in 2021–22: \$80.2 million), responsibility shared with the Minister for Government Services
- Strategic Advice and Government Support (funding in 2021–22: \$123.2 million), responsibility shared with the Minister for Government Services
- Digital Government and Communications (funding in 2021–22: \$91.2 million), responsibility shared with the Minister for Government Services
- Advice and Support to the Governor (funding in 2021–22: \$12.7 million).<sup>16</sup>

<sup>9</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 102 (Committee calculation).

<sup>10</sup> Ibid., p. 314 (Committee calculation).

<sup>11</sup> Department of Premier and Cabinet, Response to the 2021-21 Budget Estimates General Questionnaire, p. 17.

<sup>12</sup> Department of Treasury and Finance, Budget Paper No. 5: 2021-22 Statement of Finances, Melbourne, 2021 p. 133.

<sup>13</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 102 (Committee calculation).

<sup>14</sup> Department of Premier and Cabinet, Response to the 2021-22 Budget Estimates General Questionnaire, p. 62.

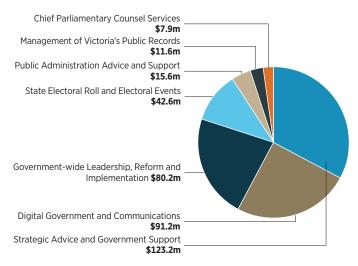
<sup>15</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021-22*, p. 313 (Committee calculation).

<sup>16</sup> Ibid. (Committee calculation); Department of Premier and Cabinet, *Response to the 2021-22 Budget Estimates General Questionnaire*, pp. 90, 92.

# 12.4 Government Services portfolio: key issue

The Minister for Government Services portfolio is responsible for seven outputs with a total output funding of \$372.3 million in 2021–22.<sup>17</sup> The allocation of funding across the seven outputs is illustrated in Figure 12.1.

Figure 12.1 Government Services portfolio—funding by output, 2021–22



Source: Department of Premier and Cabinet, Response to the 2021-22 Budget Estimates General Questionnaire, received 21 May 2021, p. 92; Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, p. 313.

#### 12.4.1 Service Victoria

#### **Service Victoria entity**

Service Victoria has cost \$156.9 million (as at June 2020) since its establishment in May 2015. Service Victoria was listed as one of DPC's programs due to lapse in 2020–21, but funding has been extended in the 2021–22 Budget. The Government will invest a further \$50.7 million in output funding and \$16.2 million in asset funding over 2021–22 and 2022–23.

Service Victoria was established to deliver government services online via digital platforms, replacing face-to-face or paper-based approaches.<sup>20</sup> The Committee notes that similar entities have been established in other jurisdictions, for example, Service Australia, Service NSW, Service WA and Service SA, to provide easy access to government services.

<sup>17</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 313 (Committee calculation).

<sup>18</sup> Victorian Auditor-General's Office, Service Victoria—Digital Delivery of Government Services, Melbourne, March 2021, pp. 1–2.

<sup>19</sup> Department of Premier and Cabinet, Response to the 2021-22 Budget Estimates General Questionnaire, pp. 25, 41-42.

<sup>20</sup> Service Victoria, *Our story*, 2021, <a href="https://service.vic.gov.au/about-us/our-story">https://service.vic.gov.au/about-us/our-story</a> accessed 23 July 2021.

Outlining the benefits of the program, DPC stated that Service Victoria drives efficiencies because it is a central platform that can be utilised across the whole of the Victorian Government, through less duplication of costs to digitise services.<sup>21</sup>

Service Victoria was designed to achieve cost savings to Government, however as some entities continued to use and develop their own platforms, this cost saving was not realised.<sup>22</sup> In 2019–20 Service Victoria achieved transactional benefits of \$6 million, well below the \$53 million initially expected.<sup>23</sup> Service Victoria was able to deliver new transactions related to management of the COVID-19 pandemic, however it was not enough to meet projected cost savings.<sup>24</sup>

Despite the overstatement of initial benefits, Service Victoria has become a key element of Victoria's contact tracing system in managing the current COVID-19 pandemic.<sup>25</sup> Although development requires more financial investment, if more services are able to be offered this may improve the financial viability of the entity according to DPC.<sup>26</sup>

The Victorian Auditor-General's (VAGO) report, *Service Victoria—Digital Delivery of Government Services*, found that there is no performance measure for gauging transaction volumes. DPC has agreed to create a performance measure to report on Service Victoria's transaction volumes, however no time frame for this has been specified.<sup>27</sup>

**FINDING 102:** Service Victoria was expected to create cost savings to Government by providing a digital platform to facilitate Government transactions, however the cost savings target has not been reached. In 2019–20 Service Victoria achieved transactional benefits of \$6 million, well below the \$53 million initially expected.

**FINDING 103:** Despite the importance of volume of transactions in creating value-for-money for the Service Victoria entity, there is no related budget paper performance measure. The Department of Premier and Cabinet has agreed to introduce a measure to report on transaction volume, but no timeframe for this has been specified.

#### Service Victoria QR code check-in services

In November 2020, the Victorian Government made available its QR code application for contact tracing on a voluntary basis in the management of the COVID-19

<sup>21</sup> Department of Premier and Cabinet, Response to the 2021-22 Budget Estimates General Questionnaire, p. 42.

<sup>22</sup> Victorian Auditor-General's Office, Service Victoria—Digital Delivery of Government Services, pp. 4, 6.

<sup>23</sup> Ibid., p. 5.

<sup>24</sup> Ibid., p. 10

<sup>25</sup> Hon Danny Pearson MP, Minister for Government Services, 2021–22 Budget estimates (Government Services) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, p. 1.

<sup>26</sup> Department of Premier and Cabinet, *Response to the 2021-22 Budget Estimates General Questionnaire*, pp. 25, 41–42; Victorian Auditor-General's Office, *Service Victoria—Digital Delivery of Government Services*, pp. 42–43.

<sup>27</sup> Victorian Auditor-General's Office, Service Victoria — Digital Delivery of Government Services, p. 12.

pandemic.<sup>28</sup> From November 2020, the public was able to use either the Government's Service Victoria application or applications made by private developers.<sup>29</sup> It was mandated by the Victorian Government for businesses to use only the Service Victoria application in May 2021, to improve efficiencies.<sup>30</sup> This is in line with a recommendation of the National Contact Tracing Review, released in November 2020 that states and territories should use a single smartphone application.<sup>31</sup>

In 2020–21, DPC stated that \$4.6 million was provided for 'a single digital solution for businesses to comply with COVID recordkeeping',<sup>32</sup> however an updated total cost has not been reported.

**FINDING 104:** While the Service Victoria mobile phone application to facilitate contact tracing for the management of the COVID-19 pandemic was launched in November 2020, the application was not made mandatory until May 2021.

#### **Data security**

When the Committee asked the Minister for Government Services about data security and if Victoria Police can access QR code data,<sup>33</sup> it was explained that:

- The Service Victoria entity holds the record of the names and numbers as entered by individuals.
- In relation to contact tracing for the management of the COVID-19 pandemic, this
  information is passed to the Department of Health (DH) as required by an outbreak.
   DH can then match the name and number with locations.
- If police wish to access the data for other purposes, via subpoena or a court order, it would be dealt with by ordinary judicial processes, as per the normal process for Victoria Police to obtain data from Victorian Government agencies.<sup>34</sup>

The Minister confirmed that the Service Victoria application only holds the consumer's name and phone number, data is destroyed after 28 days, and the data only enters the contact tracing process when there is an outbreak.<sup>35</sup>

<sup>28</sup> Parliament of Victoria, Legal and Social Issues Committee, *Inquiry into the Victorian Government's COVID-19 contact tracing system and testing regime*, December 2020, p. 130.

<sup>29</sup> Hon Danny Pearson MP, Minister for Government Services, Transcript of evidence, p. 4.

<sup>30</sup> Ibid.; Hon Danny Pearson MP, New Fine for Businesses Flouting QR Code Requirements, media release, 13 May 2021.

<sup>31</sup> Commonwealth of Australia, National Contact Tracing Review Panel, National Contact Tracing Review, Canberra, November 2020, p. 15.

<sup>32</sup> Department of Premier and Cabinet, Response to the 2020-21 Budget Estimates General Questionnaire, received 26 November 2020, p. 17.

<sup>33</sup> Mr David Limbrick MLC, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Government Services) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, pp. 4–5; Mr James Newbury MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Government Services) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, pp. 4–5.

<sup>34</sup> Mr Jeremi Moule, Secretary, Department of Premier and Cabinet, 2021–22 Budget estimates (Government Services) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, p. 5; Hon Danny Pearson MP, Minister for Government Services, *Transcript of evidence*, p. 5.

<sup>35</sup> Hon Danny Pearson MP, Minister for Government Services, *Transcript of evidence*, p. 5.

# 12.5 Industrial Relations portfolio: key issue

The Minister for Industrial Relations is responsible for one output with funding of \$27.3 million in 2021–22.<sup>36</sup>

#### 12.5.1 Public sector wage growth

#### Real wage growth

Under the *Wages Policy 2022* Victorian Public Sector wage increases are reduced to 1.5% in 2022, from 2% in 2021.<sup>37</sup> As outlined in the policy and explained by the Treasurer at the hearings, although the wage increase is set at 1.5%, there is potential for individuals to negotiate an additional 0.5% increase.<sup>38</sup> The Treasurer stated that despite the policy change, 'there will be no reduction in real wages' for the public sector workforce.<sup>39</sup>

Real wage growth shows the value of wages adjusted for inflation and it measures the increase in wages relative to the increase in other prices in the economy.<sup>40</sup> The 2021–22 Budget estimates consumer price index (inflation) to be 1.5% in 2021–22 and 1.75% in 2022–23.<sup>41</sup> The Committee notes that given the estimated inflation, real wage growth may not decline as advised by the Treasurer. This is illustrated in Table 12.1.

Table 12.1 Impact of Wages Policy 2022 on real wage growth

	Nominal wage growth (Calendar year)	Inflation (Financial year)	Real wage growth	Purchasing power
	(%)	(%)	(%)	
Individuals gaini	ng the additional 0.5%			
2021 / 2020-21	2.00	1.50	0.50	<b>↑</b>
2022 / 2021-22	2.00	1.50	0.50	<b>↑</b>
Individuals not re	eceiving 0.5%			
2021 / 2020-21	1.50	1.50	0.00	$\leftrightarrow$
2022 / 2021-22	1.50	1.50	0.00	$\leftrightarrow$

Note: Nominal wage growth less Inflation equals Real wage growth.

Sources: Department of Treasury and Finance, *Budget Paper No. 2: 2021-22 Strategy and Outlook*, Melbourne, 2021, p. 22; Hon Tim Pallas MP, Treasurer, 2021-22 Budget estimates (Treasurer) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, p. 13; Reserve Bank of Australia, *Australia's Inflation Target*, 2021, <a href="https://www.rba.gov.au/education/resources/explainers/australias-inflation-target.html">https://www.rba.gov.au/education/resources/explainers/australias-inflation-target.html</a> accessed 26 July 2021 (Committee calculation).

<sup>36</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 313.

<sup>37</sup> Victorian Government, Moving to the New Wages Policy 2022, May 2021, <a href="https://www.vic.gov.au/moving-new-wages-policy-2022">https://www.vic.gov.au/moving-new-wages-policy-2022</a> accessed 13 July 2021.

<sup>38</sup> Ibid.; Hon Tim Pallas MP, Treasurer, 2021–22 Budget estimates (Treasurer) hearing, Melbourne, 27 May 2021, Transcript of evidence, p. 13.

**<sup>39</sup>** Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 12.

<sup>40</sup> Australian Government, The Treasury, Analysis of wage growth, Canberra, November 2017, p. 7.

<sup>41</sup> Department of Treasury and Finance, Budget Paper No. 2: 2021-22 Strategy and Outlook, Melbourne, 2021 p. 22.

**FINDING 105:** The *Wages Policy 2022* reduces wage growth to 1.5% in 2022, from 2% in 2021, with the ability for individuals to negotiate an additional 0.5% increase. Despite this reduction, and the 2021–22 Budget estimating the consumer price index at 1.5% for 2021–22 and 1.75% for 2022–23, the Department of Treasury and Finance expects there will be no reduction in real wages for the public sector workforce.

With regards to public sector wages, at the hearing the Treasurer stated:

we do need to recognise that in circumstances where we are asking of business that a continuing effort is made to assist the repair of the economy and the budget position, so too we have to demonstrate to the community that we are using the dollars available to us in an efficient way.<sup>42</sup>

The Treasurer contends that while the *Wages Policy* reduces wage growth from 2% to 1.5%, the Government is still providing a high level of job security despite the erosion of Victoria's revenue growth.<sup>43</sup> The Treasurer maintains that the Government has been 'fair and reasonable in the context of the economic environment'.<sup>44</sup>

According to the Treasurer, the reduction in Victorian Public Sector wage indexation from 2% to 1.5% introduced in the 2021–22 Budget demonstrates responsible management of government expenditure, especially when government revenue has decreased.<sup>45</sup>

#### Effect of public sector wage caps

The Reserve Bank of Australia (RBA) Governor indicates 3–4% wage growth is needed to lift inflation to the targeted 2–3%. <sup>46</sup> The RBA's inflation target is to achieve a low and stable inflation, one that is not too high or too low, which will in turn contribute to sustainable economic growth. <sup>47</sup> Referring to wage caps of 1% to 2.5%, the RBA Governor stated 'caps on wages growth in public sectors right across the country are another factor contributing to subdued wage outcomes'. <sup>48</sup>

<sup>42</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 12.

<sup>43</sup> Hon Tim Pallas MP, Minister for Industrial Relations, 2021–22 Budget estimates (Industrial Relations) hearing, Melbourne, 27 May 2021, Transcript of evidence, p. 13; Parliament of Victoria, Public Accounts and Estimates Committee, Inquiry into the Victorian Government's Response to the COVID-19 Pandemic, February 2021, Melbourne, pp. 98–99.

<sup>44</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 12.

**<sup>45</sup>** Ibid.

<sup>46</sup> Michael Janda, 'RBA warns wages freeze may chill COVID-19 economic recovery', *ABC News*, 5 February 2021, <a href="https://www.abc.net.au/news/2021-02-05/rba-warns-wage-freeze-may-chill-covid-recovery/13125514">https://www.abc.net.au/news/2021-02-05/rba-warns-wage-freeze-may-chill-covid-recovery/13125514</a> accessed 5 July 2021.

<sup>47</sup> Reserve Bank of Australia, *Australia's Inflation Target*, 2021, <a href="https://www.rba.gov.au/education/resources/explainers/australias-inflation-target.html">https://www.rba.gov.au/education/resources/explainers/australias-inflation-target.html</a> accessed 27 July 2021.

<sup>48</sup> Mr Sam Hibbins MP, 2021–22 Budget estimates (Treasurer) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, p. 13; Parliament of Australia, *Review of the Reserve Bank of Australia Annual Report 2018 (Second Report), Chapter 2 Monetary policy and other issues*, December 2019, <a href="https://www.aph.gov.au/Parliamentary">https://www.aph.gov.au/Parliamentary</a> Business/Committees/House/Economics/RBAReview2018/Report</a> accessed 5 July 2021, pp. 20–21.

The RBA explains that when inflation is too low, consumers may delay purchases if they expect prices to fall, leading to lower spending. This leads businesses to reduce workers or reduce wage costs, putting further downward pressure on demand and prices.<sup>49</sup>

The RBA's June 2021 monthly monetary policy decision stated that the cash rate will not be increased until inflation is sustainably within the 2–3% target range. It further stated that the prevailing wage growth must be materially higher than the current rate of inflation to reach the target range.<sup>50</sup>

At the hearing, the Treasurer was asked about the impact of reduced wages on the economic recovery, as reduced wages could lead to reduced consumer spending in the economy. This is illustrated in Table 12.1 which shows the effect of wage caps on the purchasing power of consumers. A certain real wage growth is required to generate sufficient growth in demand to warrant sustained investment and productivity growth. The Treasurer advised the Committee that the Government ensures that real wage growth is maintained, and that the real wage maintenance is a key part of the Government's response to economic challenges. The Treasurer also stated that 'investment in wages is a vitally important part of consumer confidence and consumption'. The treasurer also stated that 'investment in wages is a vitally important part of consumer confidence and consumption'.

**FINDING 106:** Noting that the Committee was advised that real wages would be maintained, any cap on wages during the recovery phase from the COVID-19 pandemic could slow economic recovery in Victoria. The Reserve Bank of Australia Governor indicates a 3–4% wage growth is needed to lift inflation to the targeted 2–3%.<sup>55</sup>

**RECOMMENDATION 42:** As wage growth affects inflation and therefore economic recovery, when the Government announces a change to public sector wage caps, the impact statement should be released as a supporting document outlining factors taken into account when reaching the decision including estimates of how wage decisions are forecast to affect Victoria's economic recovery post the COVID-19 pandemic.

The Treasurer was asked at the public hearings about the savings from lowering the public sector wage cap. The Committee was advised that total savings 'are estimated to grow to over \$400 million per annum by 2024–25.' <sup>56</sup>

<sup>49</sup> Reserve Bank of Australia, Australia's Inflation Target.

<sup>50</sup> Reserve Bank of Australia, Statement by Philip Lowe, Governor: Monetary Policy Decision, media release, 1 June 2021.

<sup>51</sup> Mr Sam Hibbins MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Industrial Relations) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, p. 7.

<sup>52</sup> The University of Sydney Business School, Sydney Business Insights, Explainer: how wage growth contributes to the economy, May 2017, <a href="https://sbi.sydney.edu.au/explainer-wage-growth-contributes-economy">https://sbi.sydney.edu.au/explainer-wage-growth-contributes-economy</a> accessed 27 July 2021.

<sup>53</sup> Hon Tim Pallas MP, Minister for Industrial Relations, *Transcript of evidence*, p. 7.

<sup>54</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 12.

<sup>55</sup> Reserve Bank of Australia. *Australia's Inflation Target*.

<sup>56</sup> Hon Tim Pallas MP, Treasurer, 2021–22 Budget estimates (Treasurer) hearing, response to questions on notice, received 21 June 2021, p. 1.

**FINDING 107:** The reduction in Victorian Public Sector wage indexation is estimated to create savings of \$400 million per annum by 2024–25.

## **12.6** Aboriginal Affairs portfolio: key issues

The Minister for Aboriginal Affairs is responsible for one output, Aboriginal Policy, Strengthening Aboriginal Cultural Heritage and Communities with funding of \$99.8 million in 2021–22.<sup>57</sup>

#### 12.6.1 Aboriginal deaths in custody

The 2021-22 Budget includes a new output initiative, *Preventing Aboriginal deaths in custody*, with investment of \$31.2 million over the 2021–22 financial year and the forward estimates,<sup>58</sup> and asset funding with a total estimated investment of \$1.9 million in 2021–22.<sup>59</sup>

While Victoria has taken steps to reduce Aboriginal people in prisons, for example, decriminalising public drunkenness in February 2021,<sup>60</sup> and establishing an Aboriginal Justice Agreement in response to the federal *Royal Commission into Aboriginal Deaths in Custody* in June 2000,<sup>61</sup> Aboriginal deaths in custody is not yet a performance measure reported on in the budget papers. This data is available, as the Australian Institute of Criminology reports there were two Indigenous deaths in custody in Victoria in the 2018–19 year in their December 2020 release.<sup>62</sup>

**FINDING 108:** The 2021-22 Budget introduces a new initiative, *Preventing Aboriginal deaths in custody* with funding of \$33.1 million over the forward estimates.

**RECOMMENDATION 43:** The Victorian Government introduce a budget paper performance measure alongside the new initiative *Preventing Aboriginal deaths in custody*.

It was raised at the hearings that the Victorian Aboriginal Legal Service (VALS) is unable to take on new clients for a three month period, or potentially longer due to

<sup>57</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 313.

<sup>58</sup> Ibid., p. 3 (Committee calculation).

<sup>59</sup> Department of Treasury and Finance, Budget Paper No. 4: 2021-22 Capital Program, Melbourne, 2021, p. 91.

<sup>60</sup> Hon Jaclyn Symes MLC, Historic Laws Passed To Decriminalise Public Drunkenness, media release, 19 February 2021.

<sup>61</sup> Victorian Department of Justice, Victorian Government Response to the Implementation Review of the Recommendations from the Royal Commission into Aboriginal Deaths in Custody, October 2005. <a href="https://www.justice.vic.gov.au/royal-commission-into-aboriginal-deaths-in-custody-response">https://www.justice.vic.gov.au/royal-commission-into-aboriginal-deaths-in-custody-response</a> accessed 16 July 2020.

**<sup>62</sup>** Laura Doherty and Samantha Bricknell, *Deaths in custody in Australia 2018-19. Statistical Report no. 31,* report for the Australian Institute of Criminology, Canberra, 2020, p. 27.

funding constraints.<sup>63</sup> This leaves potential Aboriginal clients without 'adequate, safe legal protection'.<sup>64</sup> The 2021–22 Budget gives VALS \$2 million of funding over two years, however VALS indicates they need \$26.5 million over four years.<sup>65</sup> While the Minister for Aboriginal Affairs and Acting Premier told the Committee that an additional \$2.16 million was provided as one-off funding in the 2020–21 Budget,<sup>66</sup> this still falls short of VALS' requirement.<sup>67</sup>

VALS requires \$20 million of funding to support their clients and is reportedly unable to take on new clients for an estimated period of three months.<sup>68</sup>

#### 12.6.2 Yoo-rrook Justice Commission

\$58.3 million is allocated over 2020–21 to 2023–24 to the whole of Victorian Government output initiative, *Delivering a Victorian truth and justice process.*<sup>69</sup> The \$58.3 million allocates \$44.5 million to establish the Yoo-rrook Justice Commission (Commission) and \$13.8 million to support the Government and the First Peoples' Assembly's to engage with the Commission.<sup>70</sup>

The Commission is expected to prepare an interim report by June 2022 and final report by July 2024. The Commission's terms of reference include inquiring into historical systemic injustices and how to raise awareness of these injustices today.<sup>71</sup>

**FINDING 109:** \$58.3 million is allocated to the initiative *Delivering a Victorian truth and justice process*, including \$44.5 million for the Yoo-rrook Justice Commission. The Commission is expected to deliver an interim report by June 2022 and a final report by 2024. No new performance measures are created in relation to this investment.

**RECOMMENDATION 44:** The Department of Premier and Cabinet review the performance measures under the Aboriginal Affairs portfolio and ensure the investment in the Yoo-rrook Justice Commission is reflected in the performance measures.

<sup>63</sup> Mr Sam Hibbins MP, Public Accounts and Estimates Committee, 2021–22 Budget estimates (Acting Premier) hearing, Melbourne, 27 May 2021, Transcript of evidence, p. 20.

<sup>64</sup> Ibid

<sup>65</sup> Ibid.; Victorian Aboriginal Legal Service, Andrews Government funding failure forces freeze on intake of new clients at VALS, May 24 2021, <a href="https://www.vals.org.au/daniel-andrews-and-jaclyn-symes-have-put-the-governments-legacy-on-aboriginal-justice-at-risk">https://www.vals.org.au/daniel-andrews-and-jaclyn-symes-have-put-the-governments-legacy-on-aboriginal-justice-at-risk</a> accessed 5 July 2021.

<sup>66</sup> Hon Gabrielle Williams MP, Minister for Aboriginal Affairs, 2021–22 Budget estimates (Aboriginal Affairs) hearing, Melbourne, 18 June 2021, *Transcript of evidence*, p. 7; Hon James Merlino MP, Acting Premier, 2021–22 Budget estimates (Acting Premier) hearing, Melbourne, 27 May 2021, *Transcript of evidence*, p. 20.

<sup>67</sup> Victorian Aboriginal Legal Service, Andrews Government funding failure forces freeze on intake of new clients at VALS.

<sup>68</sup> Ibid.; Mr Sam Hibbins MP, Transcript of evidence, p. 20.

<sup>69</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 3 (Committee calculation).

<sup>70</sup> Ibid., p. 4; Hon Gabrielle Williams MP, Minister for Aboriginal Affairs, *Transcript of evidence*, p. 3.

<sup>71</sup> First Peoples' Assembly of Victoria, Letters Patent, 12 May 2021, Victoria, <a href="https://www.aboriginalvictoria.vic.gov.au/sites/default/files/2021-05/Letters-Patent-Yoo-rrook-Justice-Commission 0.pdf">https://www.aboriginalvictoria.vic.gov.au/sites/default/files/2021-05/Letters-Patent-Yoo-rrook-Justice-Commission 0.pdf</a> accessed 20 June 2021.

# 12.7 Department wide issues

## **12.7.1** Objective indicators

In May 2021, VAGO released a review on Government departments' service delivery.<sup>72</sup> VAGO found three out of DPC's four objectives were problematic as set out in Table 12.2.

#### **Table 12.2** Issues identified with DPC's objectives

Objective	Problem identified
High performing DPC	'does not express the intended outcome for the community or other departments for the services it provides, [making it] difficult to understand the goals that departments are working towards.'
Strong policy outcomes	'The objective and both objective indicators are vague—it is unclear what is intended to be measured and how.'
Professional public administration	'an aspiration rather than a measurable objective indicator.'

Source: Victorian Auditor-General's Office, Measuring and Reporting on Service Delivery, Melbourne, 2021, pp. 2, 27, 30.

VAGO identifies that relative to other government departments, DPC has a small budget and high number of performance measures.<sup>73</sup> For this reason, the Committee does not encourage new performance measures for DPC.

DPC has agreed with VAGO's recommendation to review all performance measures, however this is not due to be completed until June 2023.<sup>74</sup>

**FINDING 110:** The Department of Premier and Cabinet's performance measures will be reviewed by June 2023.

**RECOMMENDATION 45:** The Department of Premier and Cabinet reviews performance measures in time for publication for the 2022–23 Budget.

# 12.7.2 Department wide: analysis of new performance measures

DPC added eight new performance measures in the 2021–22 Budget, two of which replace discontinued measures.<sup>75</sup>

<sup>72</sup> Victorian Auditor-General's Office, Measuring and Reporting on Service Delivery, Melbourne, 2021.

**<sup>73</sup>** Ibid., p. 43.

**<sup>74</sup>** Ibid., p. 94.

<sup>75</sup> Department of Premier and Cabinet, Response to the 2021-22 Budget Estimates General Questionnaire, pp. 65-69.

 Table 12.3
 Issues with problematic new performance measures, 2021–22

Output	New performance measure	Issues identified by PAEC
Digital Government and Communications (Quantity)	Number of VPS active users in the Data Directory	This measure is likely to be influenced by the number of Victorian Public Servants, rather than providing information about the performance of the Data Directory.
Aboriginal Policy, Strengthening Aboriginal Cultural Heritage and Communities (Quantity)	Funding payments for Aboriginal community initiatives made in accordance with milestones	The Committee supports the replacement of five similar performance measures that all report on funding payments made in accordance with milestones, to assist in reducing the number of DPC's performance measures, without removing insights into the Government's payments to Aboriginal communities.

Source: Department of Premier and Cabinet, *Response to the 2021-22 Budget Estimates General Questionnaire*, received 21 May 2021, pp. 65–69; Victorian Auditor-General's Office, *Measuring and Reporting on Service Delivery*, Melbourne, 2021, p. 33; Department of Treasury and Finance, *Budget Paper No. 3: 2021-22 Service Delivery*, Melbourne, 2021 p. 321.

# **12.7.3** Department wide: analysis of discontinued performance measures

DPC proposes 14 performance measures to be discontinued in the 2021–22 Budget.<sup>76</sup> The Committee supports the removal of these measures:

- Seven of these measures are replaced by two measures as explained in Table 12.3.
- Three measures relate to the Labour Hire Licensing Scheme and the Portable Long Service Scheme, which are no longer located within DPC.
- Two performance measures relate to the establishment phase of the Breakthrough Victoria Fund, which is now in operation and a new performance measure reflects this.
- One measure relates to Traditional Owner self-determination in accordance with a Scheme design, which is no longer funded.
- One measure relates to satisfaction with the Victorian Leadership Academy, which as a program for senior executives only, the Committee agrees is not reflective of DPC's most important performance challenges.<sup>77</sup>

<sup>76</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, pp. 397-398.

**<sup>77</sup>** Ibid.

# 13 Parliament and Independent Officers of Parliament

#### 13.1 Overview

The Parliament of Victoria is made up of three departments: the Legislative Assembly, the Legislative Council and the Department of Parliamentary Services. Parliamentary departments support Members of Parliament to fulfil their roles, protect the independence and integrity of Parliament, inform and engage with the community, engage with Victoria's First Peoples and ensure the organisational resilience and efficiency of Parliament.

The Victorian Auditor-General's Office (VAGO) and the Parliamentary Budget Office (PBO) are independent officers of Parliament and grouped under Parliament's outputs in the Budget Papers.<sup>3</sup> VAGO 'provide[s] assurance to Parliament on the accountability and performance of the public sector'.<sup>4</sup> The PBO 'informs policy choices by providing trusted fiscal, economic and financial advice'.<sup>5</sup>

The integrity agencies—the Independent Broad-based Anti-Corruption Commission (IBAC), Victorian Inspectorate (VI) and Victorian Ombudsman (VO) also fall under the Parliament's outputs.<sup>6</sup> IBAC aims to 'prevent and expose public sector corruption and police misconduct in Victoria.'<sup>7</sup> VI's goal is 'Victoria's integrity system is robust and trusted.'<sup>8</sup> VO 'acts to ensure fairness for Victorians in their dealings with the public sector.'<sup>9</sup>

# **13.2** Financial analysis

In 2021–22 the Parliament, PBO, VAGO and integrity agencies will receive \$339.9 million, or 0.5% of total departmental funding.<sup>10</sup> This represents a 3.0% increase on the 2020–21 Budget of \$330.1 million.<sup>11</sup> The breakdown of funding between the outputs is shown in Table 13.1.

<sup>1</sup> Parliamentary Departments, Response to the 2021-22 Budget Estimates General Questionnaire, received 21 May 2021, p. 47.

<sup>2</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021–22 Service Delivery, Melbourne, 2021, p. 365.

<sup>3</sup> lbid., pp. 364, 368; Parliamentary Budget Office, The Parliamentary Budget Office (PBO), 2021, <a href="https://pbo.vic.gov.au">https://pbo.vic.gov.au</a> accessed 3 August 2021.

<sup>4</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 364.

<sup>5</sup> Ibid

<sup>6</sup> Ibid., p. 368.

<sup>7</sup> Ibid., p. 366.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid., p. 367.

<sup>10</sup> Ibid., p. 368 (Committee calculation).

<sup>11</sup> Ibid.

**Table 13.1** 2021–22 Budget allocation for Parliament outputs

Output	2020-21 Budget	2021-22 Budget	Variance betw Budget and 202	
	(\$ million)	(\$ million)		(%)
Parliamentary departments <sup>a</sup>	207.1	208.3	<b>↑</b>	0.6
Victorian Auditor-General's Office	45.2	46.8	<b>↑</b>	3.5
Independent Broad-based Anti-Corruption Commission	48.4	54.0	<b>↑</b>	11.6
Victorian Ombudsman	19.6	20.2	<b>↑</b>	3.1
Victorian Inspectorate	6.5	7.3	<b>↑</b>	12.3
Parliamentary Budget Office	3.3	3.3	$\leftrightarrow$	0.0
Total	330.1	339.9	<b>^</b>	3.0

a. The Legislative Council, Legislative Assembly, Parliamentary Investigatory Committees and Parliamentary Services.

Source: Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, p. 368 (Committee calculation).

The 2021–22 Budget estimates employee benefits in Parliamentary departments will increase to \$135.3 million, 6.4% higher than the 2020–21 Budget. No funding was received via Treasurer's Advances by Parliamentary departments in the 2020–21 year, as at 30 April 2021. 13

# 13.3 Parliament: key issues

Parliament is responsible for the following four outputs:

- Legislative Council (funding in 2021–22: \$23.5 million)
- Legislative Assembly (funding in 2021–22: \$45.1 million)
- Parliamentary Investigatory Committees (funding in 2021–22: \$6.0 million)
- Parliamentary Services (funding in 2021–22: \$133.7 million).<sup>14</sup>

### 13.3.1 New initiatives in the 2021-22 Budget

The 2021–22 Budget contains five new initiatives to support Parliament's work as set out in Table 13.2.

<sup>12</sup> Parliamentary Departments, Response to the 2021-22 Budget Estimates General Questionnaire, p. 10 (Committee calculation).

<sup>13</sup> Ibid., p. 27.

<sup>14</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 368.

Table 13.2 Parliament output and asset initiatives in the 2021–22 Budget

Initiative	Total output funding from 2021-22 to 2024-25	Total asset funding from 2021–22 to 2024–25
	(\$ million)	(\$ million)
Legislative Council Standing Committees	1.8	-
Cybersecurity upgrades	8.6	0.5
Implementation of Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act	2.2	-
Increase in Members of Parliament electorate office and communication budgets	0.7	-
Performance audit of Independent Broad-based Anti-corruption Commission	0.4	-

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2021-22 Service Delivery,* Melbourne, 2021, pp. 128, 132 (Committee calculation).

## 13.3.2 Cybersecurity upgrades

In response to online threats, <sup>15</sup> \$9.1 million is allocated for enhanced cybersecurity over 2021–22 to 2024–25. <sup>16</sup> This comprises \$8.6 million in output funding and \$0.5 million in asset funding. <sup>17</sup> It was explained to the Committee at the hearings:

there are, on average, over 1000 phishing emails hitting Parliament every day, so there is a significant cyberthreat to the Parliament and we are working hard to protect members and the Parliament's systems.<sup>18</sup>

The *Cybersecurity upgrades* initiative will implement 'systems testing, training and awareness programs, improve incident response mechanisms, embed 24-hour cyber event logging and upgrade existing information and communication technology security systems.' <sup>19</sup>

**FINDING 111:** Parliament is experiencing over 1,000 phishing emails every day, representing a significant cyberthreat to the organisation. In response, \$9.1 million is allocated in the 2021–22 Budget to upgrade Parliament's cybersecurity.

<sup>15</sup> Hon Colin Brooks MP, Speaker of the Legislative Assembly, 2021–22 Budget estimates (Parliamentary Departments) hearing, Melbourne, 21 June 2021, *Transcript of evidence*, p. 2.

<sup>16</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, pp. 128, 132 (Committee calculation).

**<sup>17</sup>** Ibid

<sup>18</sup> Hon Colin Brooks MP, Speaker of the Legislative Assembly, *Transcript of evidence*, p. 2.

<sup>19</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 129.

# 13.4 Integrity agencies

'Each agency is deemed by statute to be independent from the executive and accountable to the Parliament of Victoria'.<sup>20</sup>

Integrity agencies follow similar financial reporting practices to ordinary departments and government agencies.

The Committee's questionnaire asked the Department of Treasury and Finance (DTF) to explain the process undertaken when allocating funds to integrity agencies. DTF stated:

DTF does not determine funding allocations to integrity agencies. This is the responsibility of the elected Government of the day.<sup>21</sup>

The Government is responsible for determining funding allocations to integrity agencies, and the funding allocation is submitted to Parliament by the Treasurer through the Appropriation Bills.<sup>22</sup>

**FINDING 112:** Integrity agencies are legislated to be independent officers of Government, and independence between the integrity agencies and the Government is a key pillar of Victoria's democracy. Whilst the Government is responsible for determining funding allocations to integrity agencies, the funding allocation is submitted to Parliament through the Appropriation Bills.

# 13.5 Victorian Auditor-General's Office: key issues

VAGO is expected to underperform in one key performance measure in 2020–21 as reported in the in the 2021–22 Budget. This is outlined in Table 13.3.

Table 13.3 Underperforming performance measure, Victorian Auditor-General's Office

Performance measure	2020-21 target	2020–21 expected outcome
	(%)	(%)
External/peer reviews finding no material departures from professional and regulatory standards	100	93

Source: Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021 p. 375.

<sup>20</sup> Parliament of Victoria, Parliamentary Library & Information Service, Department of Parliamentary Services, Independence of Parliament, May 2017, p. 19.

<sup>21</sup> Department of Treasury and Finance, Response to the 2021-22 Budget Estimates General Questionnaire, p. 127.

**<sup>22</sup>** Ibid.

This is an important performance measure as VAGO's function is to 'check the financial statements that agencies produce to assess whether they fairly present the financial position, cash flows and results of their operations for the year, in accordance with relevant financial reporting frameworks and standards.'<sup>23</sup> The Committee, as well as the public and the Parliament rely on the financial statements provided by the Government. The historic financial statements are also valuable in the budgeting and forecasting processes.

The reason provided for the lower than expected outcome is explained in the budget papers as follows:

The 2020–21 expected outcome is lower than the 2020-21 target because one of the 15 audit files reviewed was found to have some material departures from professional standards. Despite this, VAGO is expected to observe a very low disclosure rate of prior period errors by agencies during 2020-21, which indicates that any identified material departures from standards are not leading to significant or systemic material misstatements.<sup>24</sup>

Each year, VAGO audits 550 financial statements and publishes around 108 performance statements of public sector agencies. <sup>25</sup> In 2020–21, the total number of financial audit engagement files subject to external or peer post audit reviews was 15. <sup>26</sup> Therefore, VAGO's post audit reviews represent only 3% of the total financial audits to be completed in 2020–21. <sup>27</sup> The Committee observes this is a low sample size. Of the 15 post audit reviews, one of the audits is found to contain material departures from professional standards. <sup>28</sup> Despite this finding, the performance audit on VAGO in 2019–20 found that 'overall, financial audits completed by in-house staff and Audit Service Providers comply with all relevant statutory requirements and the Australian Auditing Standards.' <sup>29</sup> Table 13.4 demonstrates performance in this metric over the last four years.

<sup>23</sup> Victorian Auditor-General's Office, *Audits in Victoria*, 2021, <a href="https://www.audit.vic.gov.au/audits-victoria">https://www.audit.vic.gov.au/audits-victoria</a> accessed 18 July 2021.

<sup>24</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 375.

<sup>25</sup> Victorian Auditor-General's Office. *Audits in Victoria*.

<sup>26</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 390.

<sup>27 15</sup> external reviews out of 550 financial statement audits (Committee calculation).

<sup>28</sup> Department of Treasury and Finance, Budget Paper No. 3: 2021-22, p. 375.

<sup>29</sup> Allen and Clarke Consulting, Performance audit of the Victorian Auditor-General and the Victorian Auditor-General's Office, Melbourne, July 2020, p. 43

**Table 13.4** Victorian Auditor-General's Office financial audit performance measure results from 2016–17 to 2020–21

Performance measure	Target	2016-17 actual	2017-18 actual	2018-19 actual	2019-20 actual	2020-21 expected outcome
	(%)	(%)	(%)	(%)	(%)	(%)
External/peer reviews finding no material departures from professional and regulatory standards	100.0	75.0	59.0	90.0	83.3	93.0

Source: Victorian Auditor-General's Office, *Annual Report 2016-17*, Melbourne, 2017, p. 18; Victorian Auditor-General's Office, *Annual Report 2017-18*, Melbourne, 2018, p. 23; Victorian Auditor-General's Office, *Annual Report 2018-19*, Melbourne, 2020 p. 48; Victorian Auditor-General's Office, *Annual Report 2019-20*, Melbourne, 2020 p. 50; Victoria Department of Treasury and Finance, *Budget Paper No. 3: 2021-22 Service Delivery*, Melbourne, 2021, p. 375.

The review of Australian National Audit Office (ANAO) audits by the Australian Securities Investment Commission found that 'auditors did not obtain reasonable assurance that the financial report as a whole was free of material misstatement' in '27% of the 179 key audit areas ... across 53 audit files in the 12 months to 30 June 2020.'<sup>30</sup> ANAO has 53 audit files reviewed out of around 250 financial statement audits completed each year, representing review coverage of 21%.<sup>31</sup>

**FINDING 113:** The Victorian Auditor-General's Office has achieved less than 100% in the performance measure 'external/peer reviews finding no material departures from professional and regulatory standards.'

**FINDING 114:** Three percent of the Victorian Auditor-General's Office financial audits are externally or peer reviewed per year for material departures from professional and regulatory standards.

**RECOMMENDATION 46:** The Victorian Auditor-General's Office increase the sampling size of audits externally reviewed to ensure there is sufficient coverage of financial statements.

#### 13.6 Performance measures

The Parliament, PBO, VAGO and integrity agencies have a total of 65 performance measures listed in the 2021–22 Budget.<sup>32</sup> As outlined in the 2021–22 Budget, the Committee reviewed the performance measures that have been discontinued under the 'Parliament' section of the budget papers.

<sup>30</sup> Australian Securities and Investments Commission, Audit inspection report 1 July 2019 to 30 June 2020, December 2020, p. 3.

<sup>31</sup> Australian National Audit Office, *The audit process*, 4 March 2020, <a href="https://www.anao.gov.au/about/audit-process">https://www.anao.gov.au/about/audit-process</a> accessed 6 August 2021.

<sup>32</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021-22*, pp. 377–380.

# **13.6.1** Department wide: analysis of discontinued performance measures

The Parliament, PBO, VAGO and IBAC do not propose any performance measures to be discontinued in the 2021–22 Budget. VO proposes five performance measures to be discontinued in 2021–22 Budget.<sup>33</sup> The Committee supports the discontinuation of four performance measures and identified issues with discontinuation of one performance measure that is outlined in Table 13.5.

**Table 13.5** Issues with performance measures proposed for discontinuation, Victorian Ombudsman, (2021–22)

Output	Proposed discontinued performance measure	Issues identified by PAEC
Public Sector Integrity (Quantity)	Jurisdictional complaints finalised—Victorian Ombudsman (VO)	This measure is not supported to be discontinued as it is more meaningful to gain insight into the volume of work completed as opposed to work commenced.

Source: Department of Treasury and Finance, Budget Paper No. 3: 2021-22 Service Delivery, Melbourne, 2021, p. 401.

The remaining measures proposed to be discontinued by the VO are supported by the Committee:

- Two measures are replaced by measures with improved wording to capture the different types of work performed.
- One measure relates to only a small portion of the agency's work.
- One measure relates to quantity of complaints closed, that is replaced by two new measures that provide additional information on the time taken to finalise complaints and investigations handled by VO.<sup>34</sup>

**FINDING 115:** Parliament, the Parliamentary Budget Office and the Victorian Auditor-General's Office do not propose any performance measures to be discontinued in the 2021–22 Budget. The Victorian Ombudsman proposes five performance measures to be discontinued in the 2021–22 Budget. The Committee supports the discontinuation of four performance measures and identified issues with discontinuation of one performance measure.

**RECOMMENDATION 47:** The Victorian Ombudsman review the discontinued performance measure outlined by the Committee.

Adopted by the Public Accounts and Estimates Committee Parliament of Victoria, East Melbourne 13 September 2021

**<sup>33</sup>** Ibid., p. 401.

**<sup>34</sup>** Ibid.