PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

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Report on the 2008-09 Financial and Performance Outcomes

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

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Parliament of Victoria
Public Accounts and Estimates Committee

Report on the 2008-09 Financial and Performance Outcomes

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP – 56TH PARLIAMENT

Bob Stensholt MP (Chair)

Kim Wells MP (Deputy Chair)

Richard Dalla-Riva MLC

Judith Graley MP*

Jennifer Huppert MLC

Wade Noonan MP

Sue Pennicuik MLC

Gordon Rich-Phillips MLC

Robin Scott MP

Bill Sykes MP

* Judith Graley MP was appointed to the Committee on 2 February 2010 by the Legislative Council following the resignation of Janice Munt MP on 2 February 2010.

For this inquiry, the Committee was supported by a secretariat comprising:

Executive Officer:	Valerie Cheong
Senior Research Officer:	Christopher Gribbin
Research Officers:	Ian Claessen
	David Lacy
	Julie Gould (temporary)
Consultant:	Joe Manders
Business Support Officer:	Melanie Hondros
Desktop Publisher:	Mitch Marks

DUTIES OF THE COMMITTEE

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

The Committee comprises 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; and
- any proposal, matter or thing that is relevant to its functions and has been referred to the Committee by resolution of the Council or the Assembly or by order of the Governor in Council published in the Government Gazette.

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

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

CHAIR'S FOREWORD

I am pleased to present the Public Accounts and Estimates Committee's *Report on the 2008-09 Financial and Performance Outcomes*. This report is the culmination of the Committee's inquiry into the financial and performance outcomes achieved by departments and various other government agencies in 2008-09.

This report is the third and final such report of the present committee since its formation in 2007 under the 56th Parliament of Victoria. The present committee has made a number of reforms to this report over the previous three years which it believes have contributed to accountable and transparent government. These changes have included covering a wider range of issues, examining performance outcomes in addition to financial outcomes and examining a range of government agencies as well as departments.

The Committee considers that this inquiry plays an important role in the accountability chain between the Government, the Parliament and the public. In particular, the Committee seeks to link departments' and agencies' reporting to both the Budget process and to Government policy documents, including *Growing Victoria Together* and others outlined in the Government's *Annual Statements of Government Intentions*.

This year, the Committee has made 67 recommendations which are aimed, to a large extent, at enhancing accountability for the achievement of outcomes.

Accountability remains as important as ever in a year that has seen Victoria face difficult economic circumstances, including the Global Financial Crisis and the terrible bushfires of February 2009. The ways that government departments and agencies have responded to these events have been a significant theme in this inquiry.

As an important product of the Committee, I commend this report to all Members of Parliament.

The Parliament is currently considering an historic overhaul of the *Financial Management Act 1994*. As input into this process, the Committee tabled a report titled *New Directions in Accountability: Inquiry into Victoria's Public Finance Practices and Legislation* in June 2009. The Committee continues to take an interest in this matter and anticipates conducting its next inquiry into financial and performance outcomes in the light of any changes to the *Financial Management Act 1994*.

On behalf of the Committee, I would like to express my appreciation to my Parliamentary colleagues on this Committee for their continued commitment and bi-partisan approach, as well as the Committee's Secretariat staff for their work on this report. I wish also to extend the Committee's appreciation to Ministers, departments and agencies for their co-operation in assisting the Committee in this inquiry.

Bob Stensholt MP
Chair

RECOMMENDATIONS

Recommendation 1: **The Department of Treasury and Finance incorporate within the Annual Financial Report for the coming financial years a special purpose statement disclosing estimated and actual Commonwealth funding under relevant categories and the actual spending for each category, together with explanations of major variances. 22**

Recommendation 2: **The Department of Treasury and Finance include in future Annual Financial Reports a dissection of estimated and actual revenue for the major components of the revenue item 'Provision of services' to facilitate Parliament's consideration of relevant revenue trends..... 23**

Recommendation 3: **The Department of Treasury and Finance provide an extended report on bushfire recovery expenditure in the 2009-10 Annual Financial Report to correlate with the presentation format for forecast expenditure set out in the 2009-10 Budget Papers. 27**

Recommendation 4: **The Department of Treasury and Finance provide further detail in its upfront high level analysis of financial outcomes in the Annual Financial Report on all major factors contributing to significant movements in individual items, including where possible quantification of such factors. 29**

Recommendation 5: **The Department of Treasury and Finance establish measures, and report on their success against them in its annual reports, to assess the performance of its programs facilitating project planning and management in terms of:**

(a) the extent to which the Department's advice is actually incorporated into project planning and management by agencies; and

(b) the extent to which the Department's programs actually improve agencies' ability to deliver projects on time and on budget.....86

Recommendation 6: **As the Government's end of year Financial Report for the State of Victoria constitutes the Government's key accountability document for the management and stewardship of the State's finances, the Department of Treasury and Finance consider providing a more detailed discussion and analysis on the revenue outcomes for the State of Victoria. 96**

Recommendation 7: **The Department of Treasury and Finance amend the financial reporting disclosure requirements for government departments and agencies in regard to annual performance bonuses paid to executives to include a minimum of three years of data showing the number of executives eligible for a performance bonus, the number of executives awarded a performance bonus, and the total value of executive performance bonuses paid. 122**

Recommendation 8: **The Parliamentary Departments introduce a system for awarding performance bonuses to its executives in line with the practices that apply to executives in government departments and agencies. 122**

Recommendation 9: **The Secretary of the Department of Premier and Cabinet with the assistance of the State Services Authority conduct a comprehensive review of the system of awarding performance bonuses. The conclusions from this review should lead to change including, where necessary, by appropriate regulation or legislation. 125**

Recommendation 10: **The Government Sector Executive Remuneration Panel (GSERP) review and consider amending the GSERP policy for remuneration of executives in the broader public sector to explicitly prohibit the awarding of performance bonuses to executives where performance is assessed as not meeting expectations..... 126**

Recommendation 11: **All departments and agencies should have the capacity to generate reports on sick leave from their human resource information system to allow routine analysis of sick leave taken. This could assist in improving the management of sick leave through identifying sick leave trends and strategies being implemented to reduce the level of sick leave taken, where possible. 135**

Recommendation 12: **Departments and agencies review their current processes for capturing the costs of delivering professional development and consider implementing enhanced processes that will facilitate the accurate and complete recording of all costs associated with the delivery of professional development. This will assist departments and agencies in assessing whether professional development is delivered in a cost-efficient manner. 146**

Recommendation 13: **With regard to the implementation of large scale procurement contracts for the purchase of strategic goods and services, the Department of Treasury and Finance should consider providing guidance to agencies on how to disclose in their annual reports in a consistent manner the impact that procurement outcomes in terms of service delivery have had on the achievement of planned strategic objectives. 151**

Recommendation 14: **The Department of Treasury and Finance reinforce with agencies for evaluation and reporting purposes, the need to adopt a balanced approach that takes into account an optimum combination of quality, quantity, risk, timeliness and cost when measuring and evaluating whether value for money has been obtained from procurement. 157**

Recommendation 15: **For large and complex procurement, the Department of Treasury and Finance encourage agencies to consider publishing a value-for-money statement that sets out the aspects of the procurement approach aimed at driving the achievement of value-for-money. 157**

Recommendation 16: **To enhance accountability for, and strengthen the control environment over, the delivery of major procurement contracts on time, all departments and government agencies include objectives, planned milestones and key deliverables in their corporate and annual/business plans. 163**

Recommendation 17: **To enhance procurement governance and maximise financial and performance outcomes across the public sector, the Department of Treasury and Finance encourage agencies to consider using their internal audit function to evaluate on an ongoing basis, for large-scale procurement contracts, whether:**

(c) risk assessments are being carried out in an appropriate manner; and

(d) procurement risks are being reviewed and managed effectively.....166

Recommendation 18: **The Department of Treasury and Finance publish on an annual basis an outcomes report that discloses how Victoria has progressed in terms of achieving the aims of the Nation Building Economic Stimulus Plan. 177**

Recommendation 19: **To enhance performance reporting and accountability, the Department of Treasury and Finance release a guidance statement and practical examples that clearly define the difference between an outcome and an output and the need to frame measurable outcomes that are relevant to the needs of the community..... 206**

Recommendation 20: **To enhance the ability of government organisations to demonstrate whether planned outcomes have been achieved, the central departments (Department of Premier and Cabinet and Department of Treasury and Finance) promote a reporting culture throughout the public sector that emphasises the importance of developing quantitative performance measures and targets..... 207**

Recommendation 21: **Progressive reporting of how government organisations have fared in terms of achieving intended outcomes should disclose any material risks that may emerge from planned outcomes not being achieved on time. 209**

Recommendation 22: **The Department of Education and Early Childhood Development review the number of its output performance targets identified in Budget Paper No. 3 with the aim of greater proportionate accountability for the size of its budget. 215**

Recommendation 23: **The Department of Innovation, Industry and Regional Development continue revising its performance targets to ensure that its targets in future years are sufficiently robust. 226**

Recommendation 24: **The Department of Primary Industries and the Environment Protection Authority consider reporting office-based and non-office-based data separately in future reports. 246**

Recommendation 25: **The Environment Protection Authority include in future annual reports its assessment of the value of using Green Power. 248**

Recommendation 26: **The Department of Treasury and Finance and the Department of Sustainability and Environment revise FRD 24C to make reporting on the number of hybrid-electric, LPG and four-cylinder cars within a government entity's fleet compulsory. 258**

Recommendation 27: **The Department of Treasury and Finance and the Department of Sustainability and Environment revise the guidance as to how greenhouse gas emissions and offsets should be calculated. 262**

Recommendation 28: **The Department of Treasury and Finance and the Department of Sustainability and Environment revise the procurement section of FRD 24C so that the degree to which environmental considerations inform procurement decisions can be ascertained from departmental reporting. 265**

Recommendation 29: **All government entities covered by FRD 24C clearly state in each annual report:**

- **(a) targets from the previous year for each of the seven reporting aspects;**
- **(b) whether or not these targets were met; and**
- **(c) targets for the next financial year.....265**

Recommendation 30: **The Department of Treasury and Finance and the Department of Sustainability and Environment revise FRD 24C to require entities to provide five rolling years of data for every indicator wherever possible..... 267**

Recommendation 31: In reporting on progress in implementing the Future Farming strategy, the Department of Primary Industries should identify any changes to original project milestones and explain the action which is being taken to ensure full project delivery over a longer time frame. 274

Recommendation 32: An evaluation of the outcomes of Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest (2005) and Moving Forward: Update, The Next Two Years 2008 to 2010 (2008) should address the appropriateness of the performance measures which were used and the approach to setting the targets for these measures with a view to ensuring improved reporting on the delivery of future programs..... 284

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Recommendation 34: The Victorian Skills Commission publish the Quarterly Dashboard Reports and annual Outcomes Monitoring Report on its website. 295

Recommendation 35: The Victorian Skills Commission annually produce a new report providing a detailed analysis of the skills needs identified in Victoria and how the Government's programs have performed relative to meeting these particular needs..... 295

Recommendation 36: The Victorian Skills Commission's publications should include statistics of which skills are needed, which industries need them and what size firms (in terms of their numbers of employees) require the skills..... 295

Recommendation 37: In future annual reports, in addition to publishing the number of commencements and completions for the year, the Department of Innovation, Industry and Regional Development provide details of completion rates (as proportions of commencements) for each year's cohorts of apprentices and trainees as they become known. For all of this information, five rolling years of data should be published..... 299

Recommendation 38: The Department of Innovation, Industry and Regional Development develop quality measures for the Skill Up program. 299

Recommendation 39: The Department of Innovation, Industry and Regional Development develop quality measures for the assistance program for businesses and farms affected by the bushfires and report on these, as well as its quantity measures, in future annual reports. 306

Recommendation 40: The Department of Planning and Community Development provide in its future annual reports details of each Central Activity District's success to date at achieving the Central Activity District intentions as described in Melbourne @ 5 million. 314

Recommendation 41: The Department of Transport provide in its annual report an analysis of workforce issues in Victoria in the rail transport sector. 317

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Recommendation 44: In developing action plans, the Department of Health avoid duplication with activities earmarked under other drug-related policies. 324

Recommendation 45: The Department of Health develop a reporting framework that discloses the outcomes progressively achieved under the entire suite of alcohol and other drug treatment policy initiatives. 324

Recommendation 46: The Department of Health ensure that milestones have been established for all targets set out in Victoria's Cancer Action Plan 2008-11 where feasible. 326

Recommendation 47: Given the critical nature of heatwave responses, revisions made to the Heatwave Plan for Victoria be documented by the Department of Health on its web site to enhance the dissemination of information to interested parties and improve accountability for modifications that are made over time. 328

Recommendation 48: **To assist in attaining the GVT target for 90 per cent of young people to successfully complete Year 12 or its education equivalent by 2010, the Department of Education and Early Childhood Development, in conjunction with the Department of Innovation, Industry and Regional Development:**

(a) closely monitor the impact that the economic situation is having on apprentice and trainee commencements; and

(b) assess the impact that this situation is having on the proportion of young people successfully completing Year 12 or its equivalent.....331

Recommendation 49: **To assist in evaluating the effectiveness of school retention strategies aimed at boosting school completion rates and outcomes for young people, the Department of Education and Early Childhood Development develop a target equal to or less than the national average for the proportion of early school leavers who are unemployed six months after leaving school. 333**

Recommendation 50: **The Department of Innovation, Industry and Regional Development, together with the Victorian Skills Commission, continue to monitor employment outcomes for VET graduates in this state..... 336**

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Recommendation 56: The Department of Justice develop a systematic and rigorous process for measuring the performance of the Koori Courts..... 372

Recommendation 57: The Victorian Multicultural Commission develop a strategy to ensure that its community grants program meets the needs of ethnic communities in rural and regional areas. 373

Recommendation 58: The Department of Premier and Cabinet consider including a new performance measure and target in the budget papers relating to public participation in the Community Cabinet program. 377

Recommendation 59: The Department of Treasury and Finance should in future budget papers provide and report on expected and actual revenue from the sale of specific lottery products..... 378

Recommendation 60: The Department of Treasury and Finance include in the State's annual financial report and Budget Papers the main factors ratings agencies assess when forming their credit opinion and provide commentary on these factors..... 385

Recommendation 61: The Department of Treasury and Finance disclose the long-term unfunded superannuation liability projections for the SSF in the State Budget Papers. This will enhance the accountability to Parliament and the general public of the government's progress in achieving its strategy to fully fund the SSF by 2035. 386

Recommendation 62: The Department of Treasury and Finance include in future annual reports the savings achieved, compared to target, resulting from the ETS program. 388

Recommendation 63: The Victorian Funds Management Corporation should include in future annual reports the asset allocation (per cent) for each asset class for which VFMC's mandated clients have funds invested. 390

Recommendation 64: All government agencies report against the full range of performance indicators adopted to monitor Occupational Health and Safety matters as per the requirements of FRD 22B. The Department of Justice, Annual Report 2008-09 Appendix G provides an excellent example of the type of clear and detailed response to this requirement that the Committee expects would satisfy reporting to Parliament. 394

Recommendation 65: All departments and government agencies identify and report against all of the specific requirements for disclosure of consultancies contained in FRD 22B. The Department of Human Services, Annual Report 2008-09 (page 159) provides an excellent example of a clear and detailed disclosure that the Committee expects would satisfy reporting requirements to Parliament. 395

Recommendation 66: All government agencies annually review their reporting responsibilities in relation to the Financial Management Act 1994, the Standing Directions and Financial Reporting Directions of the Minister for Finance, and put in place controls and appropriate quality assurance processes to ensure that all relevant requirements are addressed fully. 395

Recommendation 67: All government departments and agencies that are required to report performance outcomes against targets specified in the State budget should provide specific detailed explanations for any variations of 10 per cent or more from target. 397

CHAPTER 1: INTRODUCTION AND RESPONSES TO THE PREVIOUS FINANCIAL AND PERFORMANCE OUTCOMES REPORT

1.1. Background

In 2008-09, the Victorian Government raised $39.3 billion and spent $39.0 billion on service delivery for Victorians.[1] Net infrastructure spending in the general government sector in 2008-09 totalled $4.1 billion.[2] Throughout the State of Victoria as a whole, revenue was $45.4 billion and expenses were $45.5 billion.[3] The total net worth of Victoria rose by $26.4 billion, while that of the general government sector rose by $26.3 billion.[4]

Through this Inquiry into the 2008-09 Financial and Performance Outcomes, the Committee aims to further inform Parliament and the people of Victoria on key financial outcomes and performance against established goals.

This Inquiry complements and completes the accountability cycle, which follows the Committee's Inquiry into the 2008-09 Budget Estimates, which reviewed the new initiatives, programs and services to be delivered in 2008-09 and beyond. This report includes analyses of key aspects of what departments and agencies intended to achieve in 2008-09 compared with what was actually achieved, together with recommendations designed to improve accountability and enhance financial and resource management.

1.2. Objectives of the Inquiry

The overall objective of the Committee's Inquiry into the 2008-09 Financial and Performance Outcomes is to review the Government's financial and performance outcomes for the previous financial year.

The Inquiry focuses on financial, service and capital outcomes across the State of Victoria and examines outputs delivered and outcomes achieved by departments and other government agencies. This year's report:

- undertakes a comparative analysis across departments and other government agencies on a range of key issues, including:
  - the public sector infrastructure and asset investment program;
  - revenue and revenue foregone;
  - staffing;
  - procurement;
  - program outcomes;

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1 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, 14 October 2009, p.45. This relates to the general government sector.

2 ibid., p.29

3 ibid., p.45

4 ibid.

  - performance against targets;
  - environmental outcomes;
  - regional and rural outcomes; and
  - progress towards the *Growing Victoria Together* visions.
- ensures that there is sufficient articulation of performance against performance indicators encompassing equity, efficiency and effectiveness measures.

In 2008-09, the State and Commonwealth governments also introduced significant programs in response to the Global Financial Crisis and the February 2009 bushfires. This year's inquiry examined how departments and agencies initially performed on these programs.

In previous reports, there has been a recurrent chapter looking at the performance of the Victorian Auditor-General's Office. The Committee has not looked at this topic in this inquiry because independent financial and performance audits of the Victorian Auditor-General's Office will be conducted in 2010. It is anticipated that the Committee will review the performance of the Victorian Auditor-General's Office in the light of the audits' recommendations in its next inquiry into financial and performance outcomes.

This inquiry also comments on the scope, timeliness and appropriateness of information presented to Parliament in annual and other reports.

In addition, the Committee in the past year presented its report on *New Directions in Accountability: Inquiry into Victoria's Public Finance Practices and Legislation*, which dealt in part with possible measures to improve financial and performance reporting to Parliament.

1.3. Scope of the Inquiry

For the purpose of conducting this inquiry, a financial year outcome is defined as a result that has been achieved, either in a financial or performance context, from an activity funded by the Parliament or through internally generated revenue. These outcomes are recorded in the public accounts of departments and agencies which are formally audited by the Auditor-General. The inquiry also examines key areas of performance against indicators in terms of equity, effectiveness and efficiency.

The Committee's inquiry analyses the public accounts and related financial and performance information contained in a range of documents that includes:

- the quarterly financial reports for the State;
- the annual financial report for the State;
- annual reports of departments, the Department of Parliamentary Services and key government agencies;
- departmental responses to the Committee's 2008-09 outcomes questionnaires;
- the Government's budget papers for 2008-09 and 2009-10; and
- reports of the Victorian Auditor-General and other authoritative organisations.

The inquiry looks at public expenditure against the Government's expressed purposes for that expenditure as contained in documents tabled in Parliament and in public policy statements. The scope of the Committee's inquiry remains within the context of accepted government policy. The Committee does not generally seek to explore alternative policy questions or to compare fiscal outcomes against other policy contexts.

1.3.1 Coverage of departments and other government agencies

During its Inquiry into the 2006-07 Financial and Performance Outcome, the Committee extended the range of agencies whose outcomes were subjected to specific analysis and reporting. This approach was adopted to enable a more comprehensive analysis of outcomes across general government, public non-financial corporations and public financial corporations.

This approach uses a different selective sample of agencies each year to explore to different levels of depth. Table 1.1 details the government entities examined in this inquiry into the 2008-09 outcomes.

Table 1.1: Departments and related agencies covered in the review

Department/Agency	Questionnaire Part One	Questionnaire Part Two	Review of annual reports
Alfred (Bayside) Health	Yes	-	Yes
Austin Health	Yes	-	Yes
Barwon Health	Yes	-	Yes
Barwon Water (Barwon Region Water Authority)	Yes	Yes	-
City West Water Limited	Yes	-	-
Country Fire Authority	Yes	-	-
Department of Education and Early Childhood Development	Yes	Yes	Yes
Department of Human Services (including the Department of Health)	Yes	Yes	Yes
Department of Innovation, Industry and Regional Development	Yes	Yes	Yes
Department of Justice	Yes	Yes	Yes
Department of Parliamentary Services	Yes	Yes	-
Department of Planning and Community Development	Yes	Yes	Yes
Department of Premier and Cabinet	Yes	Yes	Yes
Department of Primary Industries	Yes	Yes	Yes
Department of Sustainability and Environment	Yes	Yes	Yes
Department of Transport	Yes	Yes	Yes
Department of Treasury and Finance[(a)]	Yes	Yes	Yes
Eastern Health	Yes	-	Yes
Goulburn Murray Rural Water Authority	Yes	-	-
Melbourne Health	Yes	-	Yes
Melbourne Water Corporation	Yes	-	-

Department/Agency	Questionnaire Part One	Questionnaire Part Two	Review of annual reports
Metropolitan Fire and Emergency Services Board	Yes	-	-
National Gallery of Victoria	Yes	-	-
Ombudsman Victoria	-	-	Yes
Parks Victoria	Yes	-	-
Port of Melbourne Corporation	Yes	-	-
Royal Children's Hospital	Yes	-	Yes
Rural Finance Corporation	Yes	-	-
South East Water Limited	Yes	-	-
Southern Health	Yes	Yes	Yes
Transport Accident Commission	Yes	-	-
Treasury Corporation of Victoria	Yes	-	-
V/Line	Yes	-	-
VicRoads	Yes	-	-
Victoria Police	Yes	Yes	-
Victorian Commission for Gambling Regulation	-	Yes	-
Victorian Electoral Commission	-	-	Yes
Victorian Energies Network Corporation (VENCorp)	Yes	-	-
Victorian Funds Management Corporation	Yes	Yes	-
Victorian Managed Insurance Authority	Yes	-	-
Victorian Skills Commission	Yes	Yes	-
Victorian Urban Development Authority	Yes	-	-
Victorian WorkCover Authority	Yes	-	-
VicTrack	Yes	-	-
Western Health	Yes	-	Yes
Yarra Valley Water Limited	Yes	-	-

Note:

(a) The Department of Treasury and Finance also provided details of a number of additional agencies in its response to Questionnaire Part One that were not part of the Committee's focus.

Source: Public Accounts and Estimates Committee

1.3.2 Analysis of annual reports

In addition to general analyses of agencies' performance and reporting, the inquiry included a specific analysis of the annual reports of all departments, a selection of health- related government agencies (as detailed in Table 1.1), the Ombudsman Victoria and the Victorian Electoral Commission (see Chapter 19 for detailed findings from this analysis).

1.4. The review process

As in the last two inquiries, the Committee's investigation included a two-part questionnaire process. The questionnaires covered selected issues predominantly across budget-funded agencies that are deemed by the Committee to be of public interest.

The Questionnaire Part One covered financial and performance outcomes and consisted of generic questions applicable to all departments, the Department of Parliamentary Services and 33 related agencies. It included questions on:

- asset investment;
- public sector workforce;
- revenue and revenue foregone;
- procurement;
- the fiscal stimulus package;
- output cost variations;
- the agency's financial result;
- program outcomes; and
- departments' responses to the February 2009 bushfires.

This questionnaire was issued to the departments and agencies identified in Table 1.1 in October 2009.

Following a review of annual reports relating to departments and agencies that were tabled around 31 October 2009, together with an examination of other relevant information, the Committee issued a Questionnaire Part Two to the 10 departments, the Department of Parliamentary Services and six selected agencies (as identified in Table 1.1). This questionnaire more specifically related to performance measure variations, asset investment and the achievement of the Government's *Growing Victoria Together* outcomes and focused on the achievement of deliverables by individual departments and agencies. The Questionnaire Part Two was distributed in December 2009.

Matters are reported as part of across-the-board themes or individually under policy visions articulated by the Government in its *Growing Victoria Together* ten–year vision. This approach is also followed by the Auditor-General in his annual plan.

For the *Report on the 2008-09 Financial and Performance Outcomes*, where possible, information from previous years is used for comparative purposes when assessing achievements in 2008-09.

The Committee wishes to reiterate that in appreciating the importance of evaluating program outcomes on an ongoing basis to assess whether planned objectives and outcomes are being achieved, the concept of outcome evaluation is primarily a role for departments and government agencies to foster as part of formulating policy and performing their governance role.

With this concept in mind, the Committee's Inquiry into the 2008-09 Financial and Performance Outcomes does not propose to examine impacts at a micro-level, but intends to provide information at a macro-level that will be useful to program administrators at a policy and operational level for the purposes of promoting:

- the concept of continuous improvement in performance and disclosure; and
- consistency and cohesiveness in whole-of-government reporting, target-setting, disclosure and the achievement of performance measures.

1.4.1 Timeliness of departmental responses

Table 1.2 shows the dates on which departmental responses to the Committee's questionnaires were received. The Committee wishes to thank Departmental Secretaries and their officers for their time and continued cooperation on this inquiry.

Overall, the Committee was pleased that some departments submitted Questionnaire Part One and Part Two as well as their responses to clarification questions on time. The Committee is disappointed with the lack of timeliness shown by some departments, evident in the table below, in submitting questionnaires and responses to clarification questions. Such delays impede the important work for timely Parliamentary and public reporting undertaken by the Committee and its secretariat.

The Committee, conscious of the workload of departments, seeks to provide adequate time for departments to complete questionnaires and responses to clarification questions. Proper regard should be given to Parliamentary processes and the need for timely scrutiny in the public interest. The Committee considers that a number of departments in future should make serious and concerted efforts to improve their internal processes and adhere to the deadlines provided by the Committee.

Table 1.2: Timeliness of departmental responses to the Public Accounts and Estimates Committee's questionnaires for the Inquiry into the 2008-09 Financial and Performance Outcome

Department	Questionnaire Part One		Questionnaire Part Two		Clarification Questions	
	Due Date	Date Received	Due Date	Date Received	Due Date	Date Received
Education and Early Childhood Development	1/12/2009	1/12/2009	28/01/2010	28/01/2010	23/03/2010	25/03/2010
Human Services (includes Health)	1/12/2009	18/01/2010	28/01/2010	18/02/2010	23/03/2010	15/04/2010
Innovation, Industry and Regional Development	1/12/2009	15/12/2009	28/01/2010	8/02/2010	23/03/2010	24/03/2010
Justice	1/12/2009	3/12/2009	28/01/2010	9/02/2010	23/03/2010	25/03/2010
Parliamentary Departments	1/12/2009	10/12/2009	28/01/2010	1/02/2010	6/04/2010	22/03/2010
Planning and Community Development	1/12/2009	23/12/2009	28/01/2010	24/02/2010	6/04/2010	23/04/2010
Premier and Cabinet	1/12/2009	7/12/2009	28/01/2010	2/02/2010	23/03/2010	30/03/2010
Primary Industries	1/12/2009	3/12/2009	28/01/2010	4/02/2010	23/03/2010	24/03/2010
Sustainability and Environment	1/12/2009	1/12/2009	28/01/2010	29/01/2010	6/04/2010	7/04/2010
Transport	1/12/2009	9/12/2009	28/01/2010	25/02/2010	23/03/2010	23/03/2010
Treasury and Finance	1/12/2009	10/12/2009	28/01/2010	12/02/2010	6/04/2010	15/04/2010

Source: Public Accounts and Estimates Committee

1.5. Response to the Committee's Report on the 2007-08 Financial and Performance Outcomes

The Committee made 88 recommendations in its *Report on the 2007-08 Financial and Performance Outcomes*. Fifteen recommendations related specifically to the operations of the Victorian Auditor General's Office.

Section 36 of the *Parliamentary Committees Act 2003* requires responsible Ministers to respond, within six months, to recommendations in the Committee's reports tabled in Parliament. The Government Response to the Public Accounts and Estimate Committee's *Report on the 2006-07 Financial Performance Outcomes* was tabled in Parliament on 10 November 2009. The Auditor-General provided a separate response to the recommendations that related to his office on 4 August 2009.

1.5.1 Auditor-General's response

The Auditor-General responded to 16 of the Committee's recommendations (the 15 recommendations that specifically related to the Victorian Auditor-General's Office plus one recommendation which was not specifically related to the Office but which mentioned it and was therefore 'noted').

Of the 15 recommendations specifically about the Victorian Auditor-General's Office, the Auditor-General agreed with 10, noted one for future consideration and did not support four.

The four recommendations which were not supported all related to performance measures suggested by the Committee for the Office. In three cases, the Auditor-General argued that the suggested performance measures involved factors outside the Victorian Auditor-General's Office's control and were therefore not appropriate. The Auditor-General argued that:

- Parliamentarians' participation rates in the annual survey of Parliamentarians '*cannot be influenced substantially by the Office*'[5];
- the Victorian Auditor-General's Office should not set a target for 100 per cent of financial audits to be completed within three months of the end of the financial year as '*achievement of this target is often outside the Office's control*'[6]; and
- it would not be appropriate for the Victorian Auditor-General's Office to include the impact of its reports and recommendations in its performance measures as '*it remains the primary accountability of public sector entities to implement and report on change and improvements arising from audit reports … this cannot be enforced by VAGO*.'[7]

One recommendation was rejected because the Auditor-General considered that, while the suggested measure was useful internally, the activity (the production of better practice guides) was too infrequent to warrant being an external performance indicator.

The Committee does not fully accept the Auditor-General's argument that these performance measures could not be considered. The appropriateness of performance measures for the Victorian

5 Mr D Pearson, Auditor-General, correspondence to the Committee, received 10 August 2009, p.2

6 ibid., p.4

7 ibid., p.1

Auditor-General's Office will be considered as part of the independent performance audit this year.

1.5.2 Government's response

The Government's response to the *Report on the 2007-08 Financial and Performance Outcomes* covered the 73 recommendations that were not directed at the Victorian Auditor-General's Office. Table 1.3 shows what proportion of recommendations were accepted, under review and rejected, and compares that to the previous four inquiries (2005-06 was considered as part of the 2006-07 report and did not have a report of its own).

Table 1.3: Government's responses to recommendations in Financial and Performance Outcomes reports 2002-03 to 2007-08

Response	2002-03 (%)	2003-04 (%)	2004-05 (%)	2006-07 (%)	2007-08 (%)
Accept	71	84	80	68	73
– fully	44	55	25	32	37
– in part	12	14	14	17	3
– in principle	15	15	41	19	33
Under review	6	8	10	14	16
Reject	23	8	10	18	11

Sources: Government responses to recommendations of the Public Accounts and Estimates Committee's reports on Financial and Performance Outcomes 2002-03 to 2007-08

Recommendations were generally classified as 'under review' because the Government considered that they required further discussion to determine their practicability or because similar matters were already planned to be considered through another process. Examples of such processes include the Public Finance and Accountability Bill (which is currently being considered by the Parliament), planned reviews of the Financial Reporting Directions and the regular budget process (which includes the review of performance measures).

Recommendations were mostly classified as 'accept in principle' where the Government considered that a practice it currently undertakes is equivalent to the Committee's recommendation. In some cases, recommendations were accepted in principle because the Government was of the view that the matters should be given further consideration as part of processes that already regularly take place or are planned.

Those recommendations that were rejected primarily related to suggestions by the Committee to publish or provide additional information. In some cases, the Government considered that the level of detail suggested by the Committee was unnecessary. In other cases, where the Committee recommended that information be made publicly available, the Government considered that current (internal) reporting practices were sufficient or more appropriate. In one case, the Government indicated that it is not possible for the recommended information to be determined. For one recommendation, the Government indicated that the matter was not appropriate for a department to determine.

A chapter-by-chapter breakdown of responses is set out in Table 1.4, while the Government's response can be downloaded in full from www.parliament.vic.gov.au/paec.

Table 1.4: Summary of the Government's response to recommendations in the 2007-08 Financial and Performance Outcomes Report, by report chapter

Chapter	Accept fully	Accept in part	Accept in principle	Under review	Reject	Total[(a)]
Introduction	1	-	-	-	-	1
Overview of the State's 2007-08 Financial and Performance Outcomes	-	-	-	-	-	0
Revenue and Revenue Foregone	1	-	-	1	1	3
Update on Risk Management Practices in the Public Sector	1	-	-	-	-	1
Public Sector Infrastructure and Asset Investment Program	2	-	-	-	-	2
Staffing	-	-	-	-	2	2
Procurement	-	-	2	-	-	2
Grants	1	-	1	1	-	3
Efficiencies	-	-	2	-	-	2
Report Card by Departments on Portfolio Outcomes Achievements	1	1	-	1	-	3
Performance Targets	2	-	1	-	1	4
Environmental Outcomes	2	1	2	2	-	7
Regional and Rural Outcomes	2	-	2	-	1	5
Thriving Economy	2	-	2	1	-	5
Quality Health and Education	2	-	7	-	1	10
Healthy Environment	3	-	2	-	-	5
Caring Communities	4	-	1	2	-	7
Vibrant Democracy	-	-	2	1	2	5
Review of Annual Reports of Departments and Agencies	3	-	-	3	-	6
Victorian Auditor-General's Office	-	-	-	-	-	0
Total number of recommendations	**27**	**2**	**24**	**12**	**8**	**73**
Proportion of total recommendations (%)	**37**	**3**	**33**	**16**	**11**	**100**

Note:

(a) Does not include the 15 recommendations specifically relating to the Victorian Auditor-General's Office.

Source: Victorian Government, response to the Committee's Report on the 2007-08 Financial and Performance Outcomes, November 2009

1.6. Cost of Inquiry

The cost of this inquiry was approximately $125, 057.

CHAPTER 2: 2008-09 FINANCIAL OUTCOMES

Key aspects of the Committee's analysis:

2.1 **The general government sector in Victoria achieved an operating surplus for 2008-09 of $251 million, marginally higher than the revised estimate of $243 million and less than the surplus of $1.6 billion in 2007-08.**

2.2 **The State of Victoria's consolidated operating result for 2008-09 was a deficit of $63 million compared with a surplus of $1.6 billion in 2007-08. The government attributes this reduced operating result primarily to the impact of the global financial crisis.**

2.3 **After taking into account major economic flows relating to an increase of $4.1 billion in the general government sector's superannuation liability due to actuarial losses and a net loss of $2.7 billion in the Public Financial Corporations sector following the downturn in financial markets, the State's consolidated net result for 2008-09 was a deficit of $13.1 billion, around $9.9 billion higher than the deficit net result in 2007-08.**

2.4 **Parliament would benefit if there was greater reporting including quantification in the Annual Financial Report's upfront commentary of factors cited as contributing to major variances between estimated and actual results.**

2.5 **The operating result in the general government sector reflected higher than initially budgeted revenue of $1.5 billion, offset by increased operating expenses of $2.1 billion. There were only marginal differences between actual revenue and expenses when compared with revised estimates.**

2.6 **The more significant variances between initially estimated actual and operating revenue involved four items, with Commonwealth grants increasing by $1.4 billion, sales of goods and services increasing by $606 million, other revenue increasing by $413 million, and taxation revenue (principally stamp duty), falling by $756 million. The variances against revised estimates for these items were marginal.**

2.7 **The higher than initially estimated operating expenses included expenditure of $638 million of additional Commonwealth funding provided for operating purposes and of $59 million for bushfire recovery. These variances were, to a large extent, reflected in the relevant revised estimates.**

2.8 **The Committee has recommended enhanced disclosure in the Annual Financial Report of the receipt and expenditure of funding provided to the State under the Commonwealth's new funding framework, the management of bushfire recovery funding and the services component of revenue derived from sales of goods and services.**

2.9 **Net infrastructure spending in the general government sector in 2008-09 amounted to $4.1 billion, higher, by $112.8 million, than initially estimated, and $300 million lower than the revised estimate.**

2.10 **By year-end, net general government sector debt had increased by $3.1 billion to $5.3 billion or 2 per cent of GSP. This increase was $1.7 billion higher than initially forecast, but in line with the revised forecast.**

2.11 **On current estimates, net debt in the general government sector is projected to reach $16billion, or 5 per cent of GSP, by 30 June 2013.**

2.12 **Net debt of the non-financial public sector, which combines the general government sector and the public non-financial corporations sector, at 30 June 2009 totalled $10.7 billion or 4 per cent of GSP, around $315 million lower than initially forecast but $6.8 billion higher than as at 30 June 2008.**

2.1. Introduction

The Treasurer tabled the Government's Annual Financial Report for 2008-09 in Parliament on 14 October 2009. The report culminates the extensive financial and budget reporting process established by the Government under the *Financial Management Act 1994* for each financial year. This process incorporates reporting quarterly on the State's finances, a mid-year budget update and the year-end report.

The State of Victoria, as a whole-of-government reporting entity, comprises the following three sectors:[8]

- **the General Government sector (GG)** – consisting of all government departments and other public sector agencies that are controlled and largely financed by government. The sector is primarily responsible for the delivery of government policy as set out in the annual Budget;
- **the Public Non-Financial Corporations sector (PNFC)** – comprising a wide range of entities that provide goods and services of a non-financial nature to the public while meeting commercial principles through cost recovery via user charges and fees. The most significant entities in this sector are those providing water, housing, transport and port services; and
- **the Public Financial Corporations sector (PFC)** – encompassing entities that provide financial services in accordance with commercial principles. The seven entities making up this sector are the Transport Accident Commission, Victorian WorkCover Authority, Rural Finance Corporation, State Trustees Limited, Treasury Corporation of Victoria, Victorian Managed Insurance Authority and Victorian Funds Management Corporation.

The year-end report for 2008-09 documents the outcome for the Victorian economy as well as the operating result, net result and financial position of the General Government sector and the State of Victoria.

8 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, pp.17, 31

As in previous years, the 2008-09 Annual Financial Report includes, in addition to a range of data on the State's assets and liabilities, commentary on particular financial and economic results for the year compared with the latest revised expected results published in May 2009 in the 2009-10 Budget Papers.

In addition, the 2008-09 report incorporates, as part of the audited financial statements, a schedule of major variances between budgeted and actual outcomes in the general government sector, a disclosure requirement of the latest professional accounting standard.[9]

The report also includes the State's consolidated financial statements for the year as audited by the Auditor-General. A confirming (unqualified) audit opinion on the financial statements was expressed by the Auditor-General on 29 September 2009.

2.2. Outline of Committee's commentary on key financial outcomes in 2008-09

In this chapter, the Committee provides commentary at a macro level on certain key aspects of the Government's financial outcomes in 2008-09, as presented by the Government in its Annual Financial Report. The chapter examines the main features of the year's financial outcomes from Parliament's perspective, with an emphasis on the quality and transparency of reported material.

The Committee makes four recommendations in the chapter. These recommendations aim to assist the Government to enhance disclosure in the Annual Financial Report. They address:

- the likely benefit to Parliament of greater quantification in the report's upfront commentary of factors cited as contributing to major variances between budgeted and actual results;
- the desirability of expanded presentation on Commonwealth funding and related expenditure under the various categories of the Commonwealth's new funding framework;
- a need for more informative presentation of the Government's annual services revenue which is an increasing component of revenue collected from the sales of goods and services; and
- more detailed reporting on the management of bushfire recovery funding which would complement the informative presentation of budget estimates on bushfire recovery included in the Budget Papers.

In making these recommendations, the Committee recognises the high level nature of the analysis and associated commentary included by the Government in the Annual Financial Report and that more detailed material on financial outcomes is likely to be available in the annual reports of agencies. It nevertheless considers that there is scope to improve the quality of reported data in the identified areas, particularly in instances where responsibility for the management of resources is spread across several agencies or where the data relates to key factors influencing budgetary settings for the period such as in recent times, the Global Financial Crisis, major bushfire recovery commitments and the continuing drought.

9 ibid., p. 43

The Committee is also conscious that the Department of Treasury and Finance is examining the structure and future content of the Annual Financial Report, having regard to contemporary developments in budget management and financial reporting and its ongoing quest to maintain best practice reporting standards.

Because of the chapter's overview nature, the Committee's commentary in some places is cross-referenced to other chapters of this report which contain more detailed information on particular issues.

2.3. Summary of consolidated financial result for 2008-09

A summary of the audited consolidated operating statements for 2008-09 and 2007-08 for the General Government sector and for the State of Victoria as a whole IS outlined in Table 2.1 as presented in the Annual Financial Report.[10]

The main measure used by government as an indicator of fiscal performance is the 'Net result from transactions – net operating balance', which equates to an operating result for the General Government sector. It is the first of five financial objectives of the Government.

This result for 2008-09 was a surplus of $251.2 million, lower than the estimate of $891.8 million in the 2008-09 Budget and marginally higher than the 2008-09 revised estimate of $242.5 million.[11] The result for the State of Victoria under this indicator was a deficit of $62.9 million.

Table 2.1 also shows a net result after recognising other economic flows such as disposals of non-financial assets, accounting for financial assets or liabilities at fair value, or actuarial gains and losses for superannuation. The net result for the general government sector was a deficit of $8,372.8 million and for the State of Victoria $13,088.8 million.

10 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, p.45

11 ibid., p. 8

Table 2.1: Consolidated operating statement for the year ended 30 June 2009

	General Government sector		State of Victoria	
	2009	2008	2009	2008
	($ million)			
Revenue				
Taxation revenue	12,626.9	12,862.9	12,443.6	12,697.5
Interest	378.2	451.6	1,190.0	1,300.9
Dividends and income tax equivalent and rate equivalent revenue	490.4	759.9	394.3	576.1
Sales of goods and services	4,940.5	4,488.3	10,326.9	9,752.2
Grants	18,970.0	17,210.1	18,722.6	17,108.5
Other current revenue	1,878.9	1,567.5	2,354.5	2,128.4
Total revenue	**39,284.8**	**37,340.3**	**45,432.0**	**43,563.4**
Expenses				
Employee expenses	14,296.9	13,239.4	15,037.0	13,926.9
Superannuation interest expense	609.7	330.3	610.4	331.4
Other superannuation	1,404.2	1,317.7	1,513.6	1,407.2
Depreciation and amortisation	1,515.8	1,416.2	2,544.0	2,353.7
Interest expense	642.4	438.5	1,410.1	1,151.7
Other operating expenses	13,198.4	11,904.7	19,106.1	17,706.8
Grants and other transfers	7,366.3	7,046.9	5,273.8	5,047.2
Total expenses [(a)]	**39,033.7**	**35,693.8**	**45,494.9**	**41,924.9**
Net result from transactions – Net operating balance [(a)]	**251.2**	**1,646.6**	**(62.9)**	**1,638.6**
Other economic flows included in net result				
Net gain/(loss) on disposal of non-financial assets	62.2	16.0	66.5	11.1
Net gain/(loss) on financial assets or liabilities at fair value	(83.8)	(34.8)	(4,022.2)	(1,452.0)
Net actuarial gain/(loss) of superannuation defined benefits plans	(7,510.1)	(3,378.1)	(7,572.5)	(3,398.0)
Share of net profit/(loss) from associates/ joint venture entities, excluding dividends	(74.4)	10.6	(13.0)	7.1
Other gains/(losses) from other economic flows	(1,017.9)	(195.0)	(1,484.6)	27.4
Total other economic flows included in net result [(a)]	**(8,624.0)**	**(3,581.4)**	**(13,025.8)**	**(4,804.5)**
Net result [(a)]	**(8,372.8)**	**(1,934.8)**	**(13,088.8)**	**(3,165.9)**

Note: (a) A prior period adjustment of $59 million has changed the previously published result for 2007-08 by an equivalent amount, relating to the reclassification of items previously capitalised to expense. Reclassification of unilaterally decided bad debts expense items from 'transactions expense' to 'other economic flows' has further required re-presentation of the 2007-08 results.

Source: Department of Treasury and Finance, Financial report for the State of Victoria, October 2009, p.45

2.4. Operating result for 2008-09 in the general government sector

2.4.1 Overview of the 2008-09 result

As identified in the Annual Financial Report, the general government sector is primarily responsible for the delivery of government policy as presented in the annual Budget. Each year, the Government sets out its financial objectives, estimated financial statements and policy priorities for the coming year in the Budget Papers.

The primary purpose of entities in the general government sector, which includes all government departments and other bodies who provide services free of charge or at prices significantly below their cost of production, is to provide public services which are mainly non-market in nature for the collective consumption of the community. The operations of these entities are financed mainly through taxes and other compulsory levies.[12]

For 2008-09, the Government's operating result in the general government sector (or net result from transactions) was a surplus of $251.2 million.

As explained in the 2008-09 Budget Papers, the Government had set for that year a new fiscal target of at least one per cent of revenue to replace its previous long-standing target of a surplus of at least $100 million. However, just a year later, the emergence of deteriorating fiscal and economic circumstances during 2008-09, as the Global Financial Crisis took its hold, prompted the Government to announce in the 2009-10 Budget Papers that it was reverting to its original target to allow for the delivery of vital services and the provision of key infrastructure. The Government signalled in its announcement that it is committed in the future to returning to a budgeted operating surplus of at least one per cent of revenue.

Table 2.2 shows the progressive dollar impact during 2008-09 of the deteriorating financial environment that prevailed for most of the year on the estimated and actual operating result for the general government sector.

Table 2.2: Operating result for general government sector for 2008-09 – differences between progressive estimates and final result

Operating item	2008-09 Budget (May 2008) ($ million)	2008-09 Budget Update (December 2008) ($ million)	2008-09 Revised Estimate (May 2009) ($million)	2008-09 Actual (June 2009) ($ million)
Revenue	37,810.0	37,970.3	39,152.1	39,284.8
Expenses	36,918.2	37,588.5	38,909.6	39,033.7
Operating surplus	**891.8[(a)]**	**381.8**	**242.5[(a)]**	**251.2**

Note:

(a) These estimates differ from that of $827.5 million and $163 million published in the 2009-10 Budget papers because of the requirements of accounting standard AASB 1049, whole-of-government and general government sector Financial Reporting, under which unilateral bad debts are recognised as other economic flows after calculation of the operating result.

Sources: Budget Paper No.2, 2008-09 Strategy and Outlook, p.39; Budget Update 2008-09, p.27; 2009-10 Statement of Finances, p.270; Annual Financial Statement 2008-09, pp.18 and 124

12 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, pp.17, 52

Table 2.2 identifies a fall of $640.6 million or 72 per cent in the final operating result for 2008-09 compared with the original budget. The equivalent reported movement for 2007-08 was a rise of $1.15 billion or 356.8 per cent which illustrates the economic circumstances that prevailed during each period.

As identified in the Committee's report on the 2009-10 Budget Estimates, the Government provided an interim explanation of the reasons for the lower projected operating surplus as at December 2008 in its *2008-09 Budget Update*. That Update explained that the downward revision of the 2008-09 projected surplus at the time reflected:[13]

> *...a significant reduction in state taxation and GST revenue (due to slowing economic activity). This is offset by increases in Commonwealth specific purpose payment grants and state third party revenue, which also have corresponding increases in expenditure.*

The macro commentary in the Annual Financial Report on the general government sector's operating result for 2008-09 describes the result, based on a comparison between the final surplus of $251.2 million and the latest revised estimate of $242.5 million as:[14]

> *... in line with expectations and is a particularly good result in the current global financial and economic climate, given the impact of the 2009 Victorian bushfires and the continuing Victorian drought.*

The commentary also refers to the value of a positive operating result in the current climate as it enables the Government to fund investment and keep net financial liabilities at prudent levels to maintain a triple-A credit rating.

The Treasurer's public comments, when releasing the Annual Financial Report, included reference to some macro financial impacts of the economic circumstances experienced during 2008-09. The Treasurer stated that:[15]

> *While the Global Financial Crisis has wiped almost $1 billion worth of GST revenue and over $900 million worth of stamp duty from our budget, we have adapted relatively well with Victoria now the only state in the country to have a surplus now and into the future...*
>
> *However, the impact of the Global Financial Crisis, the drought and Victoria's response to the bushfires will continue to put pressure on the Victorian budget well into the future.*

It was against the above background of the financial and economic circumstances that were experienced worldwide during 2008-09 that the Committee considered Victoria's operating result in the general government sector for that year and the adequacy, from Parliament's perspective, of the analysis of the result presented in the Annual Financial Report.

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13 Department of Treasury and Finance, *2008-09 Budget Update*, December 2008, p.25

14 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, p.17

15 Mr J Lenders, Treasurer, *Victoria in Surplus despite GFC, Bushfire and Drought*, media release, 14 October 2009

2.4.2 Analysis of the 2008-09 operating surplus in the general government sector

Consistent with the approach followed in previous years, the Government's high-level commentary in the Annual Financial Report on the main factors influencing the 2008-09 operating result is substantially based on a comparison, for key revenue and expense items, of the final result with the latest published revised budget estimates.

The report also includes, in a note to the audited consolidated financial statements (Note 31), explanations of material variances between year-end actuals and the corresponding original Budget Estimates. This latter presentation is a disclosure requirement of the new accounting standard *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.

The Committee considers that there is value in both the comparison of year-end actuals with original budget estimates and with the revised estimates. The latter provides a comparison between the most recent estimates provided in the Budget Papers. This gives a meaningful current comparison, useful in more volatile years including 2008-09. The former provides a comparison against initial estimates provided several months before a financial year begins, i.e. the original starting point. From a longer term analytical perspective, the direct comparison is with the previous years actuals – hence with 2007-08. The Financial Report provides such a comparison in major tables.[16]

In terms of economic and financial reporting, however, it is important that key fiscal reports presented to Parliament provide sufficient information and analysis of changes over the whole of a financial year as well as a comprehensive statement at the end of a year. In Victoria, this is done via quarterly reporting and the budget, as well as in the Financial Report for the State of Victoria which incorporates Quarterly Financial Report No. 4.

The Committee considers that the availability of information and analytical material extending across 2008-09 provides users with an appropriate insight into the budgetary and financial management ramifications of the exceptional economic circumstances that characterised the reporting period.

Table 2.3 shows the comparison between outcomes for 2007-08 and 2008-09 as well as the variances between initial Budget Estimates and final outcomes in 2008-09 for the main revenue and expense items, as presented in the Government's Annual Financial Report.

16 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, Table 2.1, p. 18

Table 2.3: 2008-09 Operating revenue and expenses – comparisons with 2007-08 and with estimates

Operating item	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
	2007-08 Actual	2008-09 Actual	2008-09 Revised estimate	Revised estimate variance (Column 2-3)	Revised estimate variance (Column 2-3)	2008-09 Budget estimate	Budget variance (Column 2-6)	Budget variance (Column 2-6)
		($ million)	($ million)	($ million)	(%)	($ million)	($ million)	(%)
Revenue								
Taxation	12,862.9	12,626.9	12,720.0	-93.1	-0.7	13,382.9	-756.0	-5.6
Interest	451.6	378.2	408.2	-30.0	-7.3	402.2	-24.0	-6.0
Dividends, Income tax and rate equivalent revenue	759.9	490.4	474.2	16.2	3.4	669.9	-179.5	-27.0
Sales of goods and services	4,488.3	4,940.5	5,076.6	-136.1	-2.7	4,334.5	606.1	14.0
Grants	17,210.1	18,970.0	18,789.4	180.6	1.0	17,555.0	1,414.9	8.0
Other revenue	1,567.5	1,878.9	1,683.8	195.1	11.6	1,465.6	413.4	28.0
Total revenue	**37,340.3**	**39,284.8**	**39,152.1**	**132.7**	**0.3**	**37,810.0**	**1,474.9**	**4.0**
Expenses								
Employee expenses	13,239.4	14,296.9	14,366.6	-69.7	-0.5	14,225.6	71.3	1.0
Superannuation	1,648.0	2,013.9	2,004.3	9.6	0.5	1,858.2	155.7	23.0
Depreciation and amortisation	1,416.2	1,515,8	1,557.4	-41.6	-2.7	1,609.4	-93.6	-6.0
Interest expense	438.5	642.4	566.7	75.7	13.4	499.4	143.0	29.0
Other operating expenses	11,904.7	13,198.4	13,171.5	26.9	0.2	12,286.2	912.2	7.0
Grants and other transfers	7,046.9	7,366.3	7,243.0	123.3	1.7	6,439.4	926.9	14.0
Total expenses	**35,693.8**	**39,033.7**	**38,909.6**	**124.1**	**0.3**	**36,918.2**	**2,115.5**	**6.0**
Operating surplus	**1,646.6**	**251.2**	**242.5**	**8.7**	**3.6**	**891.8**	**-640.6**	**-72.0**

Source: Department of Treasury and Finance, Financial Report for the State of Victoria, 2008-09, October 2009, pp. 18, 124

Major variances in revenue items

The following paragraphs provide commentary on the principal variances between estimates and final revenue outcomes for 2008-09, as well as the actual revenue outcomes for 2007-08 as reported by the Government in its Annual Financial Report. The commentary covers the four revenue items with the more significant variances, namely grants (which essentially relate to Commonwealth funding), taxation, sales of goods and services, and other operating revenue.

More detailed information on the 2008-09 revenue outcomes is presented in Chapter 4 of this report.

Grants

Revenue from grants, which mainly involve Commonwealth grants, is the highest source of operating revenue to the Government in the general government sector. The figures shown in Table 2.3 for this item cover all Commonwealth grants including GST grants.

The significant increase of $1.4 billion in grants revenue in 2008-09 relates, compared with budget, predominately to the new funding framework introduced by the Commonwealth during 2008-09 associated with Economic Stimulus funding, new National Agreements and New National Partnerships. The Committee's detailed analysis of the new Commonwealth funding developments, which included a tabular presentation of expected aggregate funding in 2008-09 and beyond under the various funding categories, was included in its October 2009 report to Parliament on the 2009-10 Budget Estimates. [17]

The Annual Financial Report identifies that the higher than budgeted grants revenue for 2008-09 comprised principally of increased Commonwealth (other than GST) grants of $2.1 billion offset by lower than budgeted GST grants of $962 million. In explaining this variance, the Annual Financial Report presents a listing of numerous additional Commonwealth funding (other than GST grants) amounting to around $1.8 billion.

While the description in each case is informative, the identified additional funding is not grouped and subtotalled according to the key funding categories disclosed in the 2009-10 Budget Papers.[18] The Committee has therefore restated in Table 2.4 under relevant funding categories the data presented in the Annual Financial Report.

Table 2.4 relates only to data for 2008-09 as the Commonwealth's new funding framework, incorporating National Agreements and National Partnerships as well as the Economic Stimulus Plan became effective during that year.

17 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates – Part Two*, October 2009, pp.41–50

18 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, p.127

Table 2.4: Major variances between 2008-09 budgeted and actual Commonwealth grants (other than GST grants) – comparison with revised 2008-09 estimates

Funding category	Variances between revised budget and actual funding 2008–09	Totals
	($ million)	($ million)
Economic stimulus plan		
Building the education revolution – government and non-government school infrastructure	261.0	
Social housing dwellings	64.4	325.4
National Agreements		
Healthcare – public hospitals	136.0	
National Disability	47.6	183.6
National Partnerships		
Hospitals and health workforce reform	316.0	
Digital Education revolution – computers in government and non-government schools	242.0	
Social housing	49.6	
Indigenous housing	2.8	610.4
First Home Owners Boost	209.0	209.0
Australian Immunisation Agreement	44.0	44.0
Regional Rail Link project	150.0	150.0
Funding brought forward from 2009-10		
Financial assistance to local government	92.2	
Road and rail projects (excluding local roads)	121.1	
Local roads	33.9	247.2
Living Murray Initiative	33.5	33.5
Port Melbourne rail Access Improvement Project	10.0	10.0
Aggregate variance		1,813.1

Source: *Data included in the Department of Treasury and Finance* Financial Report for the State of Victoria 2008-09*, October 2009, p.127*

Given the Commonwealth's accountability requirements that have accompanied the introduction of the new funding framework, the Committee considers that the Government should expand its future year-end reporting in this area beyond a listing of explanations of major variances with budget to show the estimated and actual Commonwealth funding under relevant categories alongside the actual expenditure of such funding for each category. Such expanded disclosure, ideally in the form of a special purpose statement, would facilitate Parliament's assessment of the nature and level of Commonwealth funding and the extent to which such funding has been expended in line with planned timelines. It would also obviate Parliament's perusal of many departmental annual reports in the search for similar material, which would be a demanding exercise.

Recommendation 1: **The Department of Treasury and Finance incorporate within the Annual Financial Report for the coming financial years a special purpose statement disclosing estimated and actual Commonwealth funding under relevant categories and the actual spending for each category, together with explanations of major variances.**

Taxation

Taxation revenue is the second highest source of operating revenue to the Government in the general government sector.

Unlike 2007-08, when the difference between the initial budget and actual taxation revenue was an increase of $1.3 billion (11 per cent), the taxation revenue in 2008-09 was $756 million (6 per cent) lower than the original budget, but only $93.1 million lower than the revised estimate. As a percentage of aggregate operating revenue, taxation revenue in 2008-09 fell from an initially-estimated 35.4 per cent to an actual year-end of 32.1 per cent.

The Government has reported that the lower than initially budgeted taxation revenue in 2008-09 was primarily attributable to:[19]

- reduced revenue of $935.8 million from land transfer duty (stamp duty) reflecting the impact of the Global Financial Crisis on the property market; partially offset by
- an increase of $187.8 million in land tax following revaluations of site values as at 1 January 2008 in line with legislative valuation cycles.

On a year to year basis, revenue from stamp duty was $904.6 million lower in 2008-09 when compared with the final result for 2007-08.

From a future perspective, the Treasurer, when releasing the Annual Financial Report in October 2009, commented that:[20]

> *...payroll tax, worth 10 per cent of the budget, was expected to grow by only 1.5 per cent [in 2009-10] and stamp duty, worth 8 per cent of the budget, was not expected to recover to 2007-08 levels until at least 2012-13.*

Sale of goods and services

Proceeds from sale of goods and services represent the third highest source of operating revenue to the Government in the general government sector.

Revenue from sale of goods and services totalled $4.9 billion in 2008-09 which was $136 million below the year's revised estimate. The Government has identified that this reduction reflected the effects of the Global Financial Crisis.

19 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, p.126

20 Mr J Lenders, Treasurer, *Victoria in Surplus despite GFC, Bushfire and Drought*, media release, 14 October 2009

Revenue from this source was $606 million in excess of the initial budget in 2008-09, which the Government attributes to:[21]

- a $266 million reimbursement from the Commonwealth Government for costs associated with the 2009 Victorian bushfires under the National Disaster Relief and Recovery Arrangements. In the 2009-10 Budget, the State Government identified that the Commonwealth Government has shared the cost of many bushfire relief and recovery initiatives on a dollar for dollar basis;
- higher third party revenue of $90.8 million in the health sector and $28 million from the operations of VicRoads;
- increased revenue of $86.4 million in the TAFE sector from on-shore and off-shore international student fees;
- additional public transport revenue of $19.6 million reflecting patronage growth of nine per cent; and
- contributions of $67.3 million from water retailers towards the cost of the Foodbowl Modernisation project and the Shepparton Irrigation Area Modernisation project.

Each year, the budgeted and actual revenue derived from the services element of this source, such as third party revenue, represents a significant component of aggregate services revenue. For example, in 2008-09, services revenue totalled $3.1 billion or 63 per cent of aggregate revenue from sales of goods and services for the year.

The Government's 2009-10 Budget Update indicates that services revenue for that year is expected to total $3.3 billion or 66 per cent of aggregate estimated revenue from sales of goods and services.

The Government's Annual Financial Report refers to this revenue as '*Provision of services'* but there is no breakdown of this item except for commentary on any major variances from the initial and revised budgets in particular areas.

The Committee considers there would be merit in the Government dissecting this item in future Annual Financial Reports into its major components for both budgeted and actual revenue. Such disclosure would complement the current reporting of variances. It would also provide more transparent data to the Parliament on the levels of expected and actual revenue arising from service provision in the State's various sectors and facilitate the identification of trends in both budgeted and actual services revenue across financial periods.

Recommendation 2: **The Department of Treasury and Finance include in future Annual Financial Reports a dissection of estimated and actual revenue for the major components of the revenue item 'Provision of services' to facilitate Parliament's consideration of relevant revenue trends.**

21 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, p.126

Other operating revenue

This revenue category is the fourth highest source of revenue in the general government sector. It includes fines, donations and gifts, royalties, fair value of assets received free of charge and other miscellaneous income.

Revenue from this source in 2008-09 totalled $1.9 billion, $195 million higher than the revised budget estimate.

The Government has identified in its Annual Financial Report that other operating revenue was higher than initially budgeted by $413.4 million in 2008-09 which was attributable to four primary factors, namely:[22]

- greater than budgeted assets received free of charge from the Murray Darling Basin Authority of $78 million under the Living Murray Initiative following a change in the Authority's classification from an investment in a joint venture to Victoria's share of jointly owned assets;
- higher donations, bequests, fund raising income, research grants and private sector clinical trial income in health services totalling $67 million;
- unclaimed monies in excess of budget of $61 million following a reduction under legislation of the period in which businesses are required to hold such monies prior to deposit with the State Revenue Office – this change brought about a one-off recognition by that Office in 2008-09 of two years' worth of unclaimed monies; and
- additional non-operating revenue generated by Major Projects Victoria of $56.1 million, mainly relating to the redevelopment of the former Kew Cottages site into a new integrated residential neighbourhood.

The Government's 2009-10 Budget Update forecasts that other operating revenue in that year is expected to total $1.7 billion, slightly higher than the year's initial estimate but around $137 million lower that the actual revenue for 2008-09.

Major variances in expense items

The earlier Table 2.3 shows that, as presented in the Government's Annual Financial Report, the three main factors contributing to higher than initially budgeted operating expenses of $2.1 billion in 2008-09 were budget variances of $926.9 million for grants and other transfers, $912.2 million for other operating expenses and $143.0 million for interest expense. Commentary on these variances and the variances against the year's revised estimates for these items, as reported by the Government, is provided in the following paragraphs.

22 ibid., p.128

Grants and other transfers

Grants and other transfers expense in 2008-09 was $7.4 billion, $123.3 million higher than the revised estimate. The Government has reported that this difference was mainly due to the on-passing of additional Commonwealth grants to non-government schools.

Most of the factors identified by the Government under this expense heading as contributing to the increase in revenue of $926.9 million, when compared with the initial budget, initially involved operating expenditure corresponding to additional Commonwealth funding identified in the earlier analysis of higher than budgeted grants revenue. These factors included:[23]

- the on-passing of additional Commonwealth funding totalling $638 million and incorporating the First Home Owners Boost ($209 million); the non-government schools components of the Building Education Revolution initiative ($100.2 million), the Digital Education Revolution initiative ($92.2 million) and the National Schools special purpose payment and Investing in Our Schools program ($19.5 million); the additional Commonwealth funding for Local Government and local roads projects ($126.1 million); and the additional funding for housing initiatives ($91.0 million); and

- payment of higher than budgeted grants by the state to non-government schools for the planning, upgrading or replacement of educational facilities ($40.7 million) and to other state governments under the Living Murray Initiative ($33.4 million).

Other operating expenses, including expenditure on bushfire recovery

Other operating expenditure in 2008-09 totalled $13.2 billion, just $27 million above the year's revised estimate

The Government's Annual Financial Report discloses that expenditure in excess of the initial 2008-09 budget was $912.2 million and '*primarily reflects the impact of significant new policy measures, including the delivery of additional outputs funded since the 2008-09 Budget, such as 2009 Victorian Bushfire Response and Recovery initiatives*'.[24]

In addition to the above reference to the 2009 Bushfires, the Annual Financial Report identifies, as part of its overview commentary, that:[25]

> *The Victorian Government has committed significant resources in the recovery of bushfire affected towns and regions in response to the 2009 Victorian bushfires, one of the worst natural disasters in Australia's history. The Government, with support from the Commonwealth Government, spent nearly $1 billion in 2008-09 towards support, recovery and prevention measures including fire response and suppression activities, support for affected individuals and families through emergency assistance grants, temporary housing and the provision of case managers, support for affected businesses through grants, subsidised low interest loans and a tourism package to encourage visitors back to the regions; an improved emergency services communications system; and upgraded fire fighting equipment.*

23 ibid., p.129

24 ibid.,

25 ibid., p.4

Also, as mentioned in the above paragraphs analysing the higher than budgeted revenue for sales of goods and services in 2008-09, the Annual Financial Report indicates that Victoria received $266 million from the Commonwealth for reimbursement of costs associated with the 2009 bushfires as part of natural disaster relief and recovery arrangements.

The above references in the Annual Financial Report to the 2009 bushfires were complemented by the following comment made by the Treasurer at the time of the public release of the Annual Financial Report:[26]

> *...the government provided almost $1 billion of funding for fire fighting efforts and Victoria's recovery from the bushfires including $595.9 million in the 2008-09 financial year.*

In the 2009-10 Budget Papers, the Government provided a detailed description of output bushfire recovery funding totalling $908 million earmarked to occur over five years to 2012-13. Of this estimate, around $593 million had been earmarked for 2008-09 which is consistent with the actual figure of $595.9 million cited by the Treasurer when releasing the Annual Financial Report.

The 2009-10 Budget Papers disclosed the various categories of budgeted expenditure on bushfire recovery including fire suppression, supporting businesses and individuals, improving emergency services, and the operations of the Royal Commission and the Victorian Bushfire Reconstruction and Recovery Authority.[27]

In its report on the 2009-10 Budget Estimates, the Committee recognised the breadth of information included in the Budget Papers on intended bushfire expenditure. It expressed the view that it looked forward to comprehensive and transparent reporting to Parliament on the management of bushfire funding and on the level of effectiveness in achieving recovery outcomes.[28]

The Committee advocates that the Government's future reporting on bushfire recovery in the Annual Financial Report be expanded to take the form of a consolidated special purpose statement identifying:

- initially budgeted funding from the Commonwealth and the State for the year corresponding to material shown in the Budget Papers;
- a comparison of budgeted and actual expenditure for each of the main categories of expenditure cited in the Budget Papers, including explanations of any material variances; and
- guidance to Parliament and other readers on further information sources such as particular departmental annual reports likely to present more extensive coverage of bushfire recovery outlays and their effectiveness in achieving planned outcomes.

The importance of the latter reference to relevant departmental annual reports is reinforced by the fact that the extraction of detailed data from departmental annual reports could be a demanding exercise as the 2009-10 Budget Papers identified that all then ten departments had been allocated bushfire funding. On this point, Chapter 9 of this report includes a detailed analysis of

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26 Mr J Lenders, Treasurer, media release, *Victoria in Surplus despite GFC, Bushfire and Drought*, 14 October 2009

27 Budget Paper No 3, *2009-10 Service Delivery*, pp.10–13

28 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates – Part Two*. October 2009, p.26

departmental bushfire recovery expenditure based on material obtained from departments during the Committee's 2008-09 outcomes inquiry.

Recommendation 3: **The Department of Treasury and Finance provide an extended report on bushfire recovery expenditure in the 2009-10 Annual Financial Report to correlate with the presentation format for forecast expenditure set out in the 2009-10 Budget Papers.**

Interest expense

The Government's Annual Financial Report identifies interest expenses in 2008-09 were $642 million, $76 million higher than the revised estimate. It attributes this difference to

- higher discount interest expense relating to the liability to the State Electricity Commission of Victoria following the fall in the aluminium price ($20 million);
- an increase in finance lease interest expense incurred by the Royal Women's Hospital ($17 million); and
- higher borrowings by the Treasury Corporation of Victoria (not quantified) to fund the State's capital interest program.

The Annual Financial Report also identifies that the greater than initially budgeted interest expense of $143 million in 2008-09 reflected higher borrowings by the Treasury Corporation of Victoria.

2.5. State of Victoria Outcome for 2008-09

The Financial Report for the State of Victoria also provides an overview and analysis of the outcomes for the State of Victoria as a whole by including the Public Non Financial Corporations (PNFC) Sector and the Public Financial Corporations (PFC) Sector along with the General Government sector.[29] As there are no estimates for the whole of State outcome, any analysis is largely focussed on comparisons with the preceding year (2007-08)

As shown in Table 2.1, the consolidated 2008-09 operating result for the State was a deficit of $63 million compared with a surplus of $1.6 billion in 2007-08. The overall commentary in the Annual Financial Report on this adverse movement points out that all three sectors of government experienced declines in their operating results.[30]

The factors contributing to the result in the general government sector are explained in some detail in the Annual Financial Report as detailed in section 2.4 above. The Annual Financial Report attributes a reduced operating result in the PNFC sector to the challenging financial and economic conditions experienced during the year and in the PFC sector to, in part, the impact of the economic downturn on financial markets.[31]

29 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, p.5 and Chapter 3

30 ibid., p.32

31 ibid.

The analysis of consolidated 2008-09 revenue and expenses compared with the previous years[32] shows that revenue increased by $1.9 billion due mainly to increased grants income from the Commonwealth. It also shows that expenses rose by $3.6 billion with the two highest increases occurring in employee expenses ($1.1 billion or an 8 per cent whole of State increase) and other operating expenses ($1.4 billion).[33]

The report describes the higher employee expenses as reflecting additional service delivery initiatives and wage outcomes. It attributes the increase in other operating expenses to several factors including, in the PNFC sector, a rise in network charges incurred by the Victorian Energy Networks Corporation and paid to the transmission network provider for the use of the network.

The earlier Table 2.1 also shows that, after taking into account other relevant economic flows, the consolidated 2008-09 net result was a deficit of $13.1 billion compared with a deficit of $3.2 billion in 2007-08. Net losses from the impact of other economic flows contributed around $8.2 billion to this adverse turnaround in the net result. The Annual Financial Report identifies that these net losses included:[34]

- an increase in the general government sector's net superannuation liability of $4.1 billion (to $7.5 billion) with the aggregate figure due principally to actuarial losses relating to:
  - a reduction in the discount rate used to value the superannuation liability leading to an increase of $3.8 billion in the reported liability; and
  - lower than expected investment returns – the Annual Financial Report describes this factor as the other major component of the year's actuarial loss but does not provide a specific quantification.
- a net loss of $2.7 billion in the PFC sector reflecting the impact of the downturn in financial markets and including:
  - an increase in insurance liabilities due to a reduction in discount rates;
  - an increase in the market value of borrowings of the Treasury Corporation of Victoria in an environment of lower interest rates; and
  - a reduction in the value of investment assets held by the State's insurance agencies, largely made up of realised and unrealised losses on financial markets.

The Annual Financial Report does not quantify the individual factors contributing to the increase in the net loss incurred in the PFC sector. The Committee believes that the Department of Treasury and Finance could incorporate further analysis within its high level commentary on financial outcomes in the Annual Financial Report, including quantifications of the major factors contributing to significant movements in individual items.

32 ibid., p.22

33 ibid., pp.32–4

34 ibid., pp.23, 34

Recommendation 4: **The Department of Treasury and Finance provide further detail in its upfront high level analysis of financial outcomes in the Annual Financial Report on all major factors contributing to significant movements in individual items, including where possible quantification of such factors.**

2.6. Capital expenditure and debt movements in 2008-09 in the general government sector

In the 2008-09 Budget Papers, the Government's net infrastructure spending for the year in the general government sector was projected to total $3.9 billion.[35] Such spending includes total purchases of property, plant and equipment, capital contributions to other sectors of government and net proceeds from sale of assets. Based on the figures shown in the Budget Papers for 2008-09, around 68 per cent of this projected spending was expected to be funded from cash operating surpluses with the remainder financed by borrowings.

The 2009-10 Budget Papers reported a revised estimate for net capital spending of $4.4 billion, $500 million higher than the initial estimate.

The 2008-09 Annual Financial Report identifies that actual net infrastructure spending for the general government sector in 2008-09 was $4.1 billion, $112.8 million in excess of the initial budget and $300 million lower than the revised budget. The report indicates that Victoria's growing population necessitates greater investment in infrastructure. It also mentions that the onset of the Global Financial Crisis emphasised the importance of investing in infrastructure in 2008-09 to secure and support employment for Victorians. The report further explains that, by accelerating investment in public infrastructure and working in partnership with the Commonwealth, initiatives taken under an expanded infrastructure program have '*helped cushion the Victorian economy from the global financial crisis, as well as prepare the State to take advantage of the economic upturn by reducing infrastructure bottlenecks'*.[36]

Table 2.5 compares the actual and estimated infrastructure spending for 2008-09 and the related funding sources.

35 Budget Paper No 2, *2008-09 Strategy and Outlook*, May 2008, p.49

36 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, p.3

Table 2.5: Funding of 2008-09 capital and infrastructure program in general government sector – comparison of actuals with estimates

Expense and funding items	2008-09 Actual (a) ($ million)	2008-09 Budget (b) ($ million)	2008-09 Revised estimate (c) ($ million	Budget variance (a)-(b) ($ million)	Revised estimate variance (a)-(c) ($ million
Operating surplus	251.2	827.5	242.5	-576.3	8.7
Add back: non-cash revenues and expenses (net)[(a)]	1,729.5	1,866.7	1,690.3	-137.2	39.2
Net cash flow from operating activities	**1,980.7**	**2,694.2**	**1,932.8**	**-713.5**	**47.9**
Less:					
Net investment in fixed assets					
Expenditure on approved projects	4,319.4	4,092.2	4,543.1	227.2	-223.7
Proceeds from asset sales	-268.2	- 153.8	-190.5	-114.4	77.7
Total net investment in fixed assets	**4,051.2**	**3,938.4**	**4352.6**	**112.8**	**-301.4**
Finance leases	453.4	231.4		222.0	453.4
Other investment activities (net)	617.7	-7.9	664.6	625.6	46.9
Increase in net debt	**3,141.7**	**1,467.6**	**3,084.4**	**1673.9**	**57.3**
Net debt at year-end	**5,291.7**	**3,738.6**	**5,234.5**	**1,553.1**	**57.2**
	per cent	**per cent**	**per cent**		
Net debt to GSP at year-end	**2.0**	**1.3**	**1.9**		

Note:

(a) includes depreciation and non cash movements in liabilities such as superannuation and employee benefits

Sources: Budget Paper No.2, 2008-09 Strategy and Outlook, p.49, 56; Department of Treasury and Finance, Financial Report for the State of Victoria 2008-09, October 2009, p.27, 29

2.6.1 Movements in net debt – general government sector

It can be seen from Table 2.5 that the increase in net debt of $3.1 billion in 2008-09 in the general government sector to $5.3 billion at year-end, or 2 per cent of GSP, was $1.7 billion higher than the initial estimate increase for the year, but in line with the revised estimate. A more extended treatment of debt is found in Chapter 8, including comparisons with performance in other jurisdictions.

The information in the table also shows that this higher than initially estimated level of debt came about as a result of a reduction of $713.5 million in the year's expected cashflow from operations and additional infrastructure investments of $960.4 million either in direct spending, recognition of finance leases or other investment activities. The significant non-budgeted movement in the latter item of $625.6 million is not explained in the Annual Financial Report, however the 2009-10 Budget Papers identified that the then revised 2008-09 estimate for this item included '*movement of Murray Darling Basin Commission assets from investments using the equity method to buildings, plant and equipment*'.[37] An add-back adjustment for this item arises from the fact that general government sector investments using the equity method are deducted from computations of net debt.

The impact of the economic circumstances experienced during the year meant that just 49 per cent of the infrastructure program in the general government sector was financed by cash operating resources compared to the initially estimated 68 per cent.

As pointed out in the Government's 2009-10 Budget Update, the projected level of funding available from operating cash resources for capital purposes in the general government sector is expected to remain at relatively low levels in 2009-10 and 2010-11 before climbing to as high as around 97 per cent by 2012-13. The Budget Update identifies that general government sector net debt is expected to rise from $5.3 billion at 30 June 2009 to $16.0 billion or 4.9 per cent of GSP by 30 June 2013.[38]

The Committee has previously reported to Parliament on the importance of the Government ensuring that its budgetary position over the current forward estimates period is closely monitored and that debt levels do not adversely impact its operating results and overall financial position.[39]

2.6.2 Movements in net debt – non-financial public sector

The non-financial public sector (NFPS) comprises the general government sector and the PNFC sector. It excludes the PFC sector. The Annual Financial Report states that, under the Uniform Presentation Framework adopted by all Australian jurisdictions, the NFPS is the broadest sector classification for which data is currently required to be presented.[40]

Each year, a chapter in the Budget Papers addresses the NFPS and includes budget estimates on the sector's operating performance, financial position, infrastructure investment, net debt and financial sustainability.[41]

The 2008-09 Budget Papers include a budgeted cashflow statement for the NFPS. However, unlike its commentary on similar data relating to the general government sector, the Annual Financial Report does not include a tabular comparison of actual and budgeted cashflows for the NFPS, incorporating the year's infrastructure investment and the movement in net debt needed to fund that investment.

37 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, May 2009, p.323

38 Department of Treasury and Finance, *Budget Update 2009-10*, November 2009, pp.35, 37

39 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates – Part Two*, October 2009, p.29

40 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, p.37

41 For example, see Budget Paper No 2, *2008-09 Strategy and Outlook*, Chapter 4, p.59

In the above circumstances, the information presented in Table 2.6 covers only the movements in net debt in dollar terms and as a percentage of GSP in the NFPS for 2008-09 as this was the only actual data that could be readily extracted from the Annual Financial Report.

Table 2.6: Movements in NFPS net debt in 2008-09

Item	2007-08 Actual	2008-09 Actual (a)	2008-09 Revised estimate (c)	2008-09 Budget (b)	Budget variance (a) – (b)	Revised estimate variance (a) – (c)
	($ million)	($ million)	($ million)	($ million)	($ million)	
Net debt at year-end	3,858.3	10,696.4	11,220.1	11,011.0	-314.6	-523.7
	(%)	(%)	(%)	(%)	(%)	(%)
Net debt to GSP at year-end	1.4	4.0	4.2	3.9	–	–

Source: *Department of Treasury and Finance, Budget Paper No 2, 2008-09 Strategy and Outlook, p.70; Budget Paper No. 2 2009-10 Strategy and Outlook, p.68, Department of Treasury and Finance, Financial Report for the State of Victoria 2008-09, October 2009, p38*

CHAPTER 3: PUBLIC SECTOR INFRASTRUCTURE AND ASSET INVESTMENT

Key findings of the Committee:

3.1 **Across the general government sector, net infrastructure investment totalled $4.1 billion in 2008-09, an increase from $3.9 billion in the previous year.**

3.2 **Overall, actual expenditure was 7 per cent less than the revised estimate for 2008-09, but there were significant variations for individual departments.**

3.3 **Of the 194 major infrastructure projects reported to the Committee, the actual expenditure was within 10 per cent of the estimated expenditure in 27 per cent of cases. $652 million less than budgeted was spent, with 53 per cent of major infrastructure projects under-spending by a significant amount, primarily due to project delays and rescheduling. $207 million more than budgeted was spent on other projects, with 20 per cent of major infrastructure projects over-spending by a significant amount, mostly due to projects progressing ahead of schedule.**

3.4 **In total, 48 per cent of projects had revised completion dates compared to original estimates, with 12 per cent being brought forward and 36 per cent being delayed. Of those projects which had revised completion dates in 2007-08, approximately half revised their completion dates again in 2008-09.**

3.5 **The Department of Treasury and Finance and Major Projects Victoria provide services to support government departments in planning and managing infrastructure projects.**

3.1. Introduction

The net infrastructure investment across the general government sector in 2008-09 totalled $4.1 billion, which included '*school modernisation, extension and re-building works as part of the Government's* Victorian Schools Plan*; major hospital redevelopments such as the Royal Melbourne Hospital; key water projects; and various road and rail upgrades*.'[42] The expenditure is broken down by department in Table 3.1.

This spending is an increase on the $3.9 billion spent in 2007-08, continuing the Government's trend of increased spending on infrastructure.[43] New asset investment projects with a TEI of $3.2 billion were announced in the 2008-09 Budget, in addition to $1.1 billion provided in the *2007-08 Budget Update*.[44]

A number of projects were expanded and accelerated during 2008-09 as a result of the Global Financial Crisis.[45] Significant Commonwealth grants that were unanticipated at the time of the 2008-09 Budget were also received during the year, primarily connected with education, social housing and transport projects. These are discussed further in Chapter 7 of this report.

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42 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, p.3

43 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates – Part Two*, October 2009, p.53

44 Department of Treasury and Finance, *Budget Paper No. 2 – Strategy and Outlook 2008-09*, p.12

45 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, p.9

Table 3.1 shows that the Government's overall total expenditure on non-financial assets was 7 per cent less than the revised estimate for 2008-09. However, within that, there were significant variations for individual departments between the revised estimate and the actual expenditure. Four departments had variations exceeding $100 million each, including one department with a variation in excess of $300 million.

Table 3.1: Purchase of non-financial assets 2008-09

	Actual expenditure 2008-09	Revised estimated expenditure 2008-09	Variation	
	($ million)	($ million)	(%)	($ million)
Department of Education and Early Childhood Development	474.2	792.0	-40.1	-317.8
Department of Human Services	717.0	592.4	21.0	124.6
Department of Innovation, Industry and Regional Development	446.4	293.0	52.4	153.4
Department of Justice	227.0	199.7	13.7	27.3
Department of Planning and Community Development	27.7	23.8	16.4	3.9
Department of Premier and Cabinet	36.7	62.2	-41.0	-25.5
Department of Primary Industries	29.4	13.1	124.4	16.3
Department of Sustainability and Environment	50.2	201.8	-75.1	-151.6
Department of Transport	881.0	891.1	-1.1	-10.1
Department of Treasury and Finance	43.8	47.1	-7.0	-3.3
Parliament	9.3	7.4	25.7	1.9
Regulatory bodies and other part budget funded agencies	204.1	207.1	-1.4	-3
General government unallocated & adjustments	..	(82.6)		
Total purchase of non-financial assets	**3,146.8**	**3,248.1**	**-3.1**	**-101.3**
Less proceeds from asset sales	(268.2)	(190.5)	40.8	-77.7
Net contribution to other sectors of government	1,172.7	1,295.0	-9.4	-122.3
Net investment in fixed assets	**4,051.3**	**4,352.6**	**-6.9**	**-301.3**

Source: Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 12 February 2010, p.6

3.2. Departmental explanations from instances of variations in asset spending against 2008-09 expenditure projections

The Committee asked all departments to provide details of asset investment projects identified in *Budget Information Paper No.1 – Public Sector Asset Investment Program 2008-09*, with a TEI in excess of $10 million for which expenditure was expected to occur during 2008-09. Details sought by the Committee included:

- estimated and actual expenditure;
- specific reasons for any variations greater than 10 per cent between the estimated and the actual expenditure for 2008-09;
- TEI and remaining expenditure;
- the original, revised and forecast completion dates for each project; and
- specific reasons for any variations between the original, revised and forecast completion dates.

3.3. Major infrastructure projects where actual expenditure varied from estimates for 2008-09

The information supplied by departments documented a range of discrepancies between actual expenditure and the 2008-09 Budget allocations. Of the 194 projects reported to the Committee, in only 27 per cent of cases was the actual expenditure within 10 per cent of the estimated amount. The Committee sought explanations for those projects where expenditure varied by more than 10 per cent from the estimate. The Committee also sought details of projects with budgeted expenditure for 2008-09 where no expenditure occurred.

In total, the expenditure on these 194 projects was $444.8 million less than budgeted. That figure is made up of under-expenditure on projects totalling $651.9 million and over-expenditure amounting to $207.2 million.

The details supplied by departments are provided in Table 3.5 and Table 3.7 and summarised in Table 3.2.When examining these tables, it is important to recognise that they present a ‘point in time’ view of the progress towards project completion and that a negative or positive expenditure variation does not necessarily mean a change in the overall TEI for the project. Variations may have a number of causes, including a shift in the planned expenditure pattern, which does not necessarily affect the overall project cost. Projects where there have been revised completion dates are discussed in Section 3.4.

Table 3.2: Major infrastructure projects' actual expenditure compared to budget for 2008-09 (summary)

Department	Total number of projects	Variation between actual and estimated expenditure			Projects with zero expenditure
		>10% *less* than estimated	Within ±10% of estimate	>10% *more* than estimated	
	(No.)	(%)	(%)	(%)	(No.)
Education and Early Childhood Development	22	50.0	18.2	31.8	0
Human Services	52	46.2	23.1	30.8	3
Innovation, Industry and Regional Development	12	66.7	16.7	16.7	0
Justice	22	77.3	9.1	13.6	2
Planning and Community Development	3	66.7	33.3	0.0	0
Premier and Cabinet	2	0.0	100.0	0.0	0
Primary Industries	1	100.0	0.0	0.0	0
Sustainability and Environment	19	42.1	57.9	0.0	3
Transport	61	50.8	31.1	18.0	1
Treasury and Finance	0	0.0	0.0	0.0	0
Total	**194**	**52.6**	**27.3**	**20.1**	**9**

Source: Departmental responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two and clarification questions

3.3.1 Major infrastructure projects with actual expenditure lower than estimated in 2008-09

There were 102 projects (53 per cent) where actual expenditure in 2008-09 was less than estimated by greater than 10 per cent. Together these under-expenditures resulted in $633.9 million less than budgeted being spent.[46] Table 3.2 provides a summary by department. Table 3.5 provides the departments' explanations for these variances.

The most common reason given for under-expenditure was project delays, most frequently delays associated with construction, permits or contracts. Reasons for project delays are discussed further in Section 3.4. Overall, as can be seen from Table 3.3, there is a clear concurrence between delayed projects and projects with significant under-spends (i.e. 10 or more per cent less than budgeted) – 63 per cent of delayed projects had under-spends and 43 per cent of projects with under-spends also had delays.

46 An additional $18.0 million less than budgeted was spent on projects which under-spent by less than 10 per cent.

Table 3.3: Major infrastructure projects with variances in under-expenditure greater than 10 per cent, by department

Department	Projects with both delays and significant under-spend	As a proportion of delayed projects	As a proportion of projects with under-spends
	(No.)	(%)	(%)
Education and Early Childhood Development[(a)]	7	70.0	63.6
Human Services	8	53.3	33.3
Innovation, Industry and Regional Development	6	66.7	75.0
Justice	9	81.8	52.9
Planning and Community Development	1	50.0	50.0
Premier and Cabinet	0	0.0	0.0
Primary Industries	0	0.0	0.0
Sustainability and Environment	0	0.0	0.0
Transport	13	59.1	41.9
Treasury and Finance	0	0.0	0.0
Total	**44**	**62.9**	**43.1**

Note:

(a) Completion dates were not provided for one project.

Source: Departmental responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two and clarification questions

Table 3.3 also shows that in 57 per cent of cases, expenditure was less than estimated for reasons other than project delays.

In some instances, less money was required than had been budgeted because project costs were less than had been anticipated.

For a number of projects, less expenditure than budgeted occurred because of revisions to project schedules which did not lead to delays to the projects' end-dates. In some cases, elements of projects had been brought forward in the previous year (so that expenditure budgeted for 2008-09 was spent in 2007-08). In other cases, elements of projects were postponed (so that expenditure budgeted for 2008-09 is to be spent in 2009-10). A variety of reasons led to this rescheduling, such as:

- works had been accelerated in 2007-08 due to favourable circumstances then;
- information and communication technology equipment was postponed to allow for server reconfiguration;
- property market impacts;
- linking planned State funding with new Commonwealth stimulus funding; and
- timber expected to be reusable turned out to need replacement.

There were also several cases where the apparent under-spend was attributed to budgeted funding being spent as output funding rather than as asset funding. Similarly, a decision to deliver a project through a Public Private Partnership meant that originally planned funding is now not to be spent.

There were nine projects with a TEI over $10 million where funds were budgeted to be spent in 2008-09 but where no funds were actually spent. The explanations are provided in Table 3.4.

Table 3.4: Major infrastructure projects with no expenditure in 2008-09

Project	BIP No 1 Budget 2008-09 estimated expenditure ($ million)	Explanation for variance
Department of Human Services		
Colac Area Health, Polwarth Nursing Home – Residential Aged Care Strategy (Colac)	0.2[(a)]	Project complete.
Geelong Hospital Radiotherapy Service (Geelong)	0.7[(a)]	Project complete.
HealthSMART Shared Information and Communication Technology (ICT) Operations (Statewide)	6.7	The planned refresh program was postponed to 2009-10 to allow server reconfiguration. The project is still scheduled to meet original end-date of June 2012.
Department of Justice		
Melbourne North Police Station – Construction (Carlton–North Melbourne)	7.6	Project recorded zero net expenditure for 2008-09 as a result of a refund of property purchase costs from DTF and delays in the site search and compulsory acquisition process. The original site identified for compulsory acquisition proved unsuitable due to contamination and, accordingly, a second site was identified and the compulsory acquisition process recommenced. The TEI for this project was revised to $23.9m as part of the mid-year budget update.
VICSES Support – Construction and Asset Enhancement (Statewide)	5.3	Project had no capital expenditure for 2008-09 following s.30 FMA budget transfer to output. This process has not affected the completion date.
Department of Sustainability and Environment		
National Water Initiative – Macalister – Construction (Boisdale)	1.3	The Commonwealth required further information regarding water savings prior to approval of the milestone payment. Southern Rural Water Corporation provided the additional information in 2009-10 and the milestone payment is now expected to occur in March 2010. The project remains on course to deliver estimated water savings of 15 gigalitres for the environment in the Macalister and Thomson rivers.
Sustainable Water Initiatives – Maintenance (Statewide)	4.5	In 2008-09 this program was expected to fund works associated with the Werribee Vision Project. Approvals for stage one and two have been completed with the last four stages still requiring approval prior to the allocation of funding. Funding has been carried over into 2009-10 to allow for gaining the necessary approvals.
Wonthaggi Desalination Project	30.0	The Desalination Plant is being delivered through a Public Private Partnership.[(b)]

Project	BIP No 1 Budget 2008-09 estimated expenditure ($ million)	Explanation for variance
Department of Transport		
Murray River Bridge Replacements – Crossings (Corowa, Echuca and Robinvale)	3.0	Project impacted by stakeholder and planning issues relating to bridge alignment.

Notes:

(a) Figure reported as 0 by the Department – this figure comes from Department of Treasury and Finance, Budget Information Paper No. 1 – Public Sector Asset Investment Program 2008-09, pp. 40–1.

(b) Information supplied by the Committee.

Source: Departmental responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, except where noted

Table 3.5: Major infrastructure projects with actual expenditure lower than estimated in 2008-09

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Department of Education and Early Childhood Development							
Albert Park Secondary College – Replacement Schools (Albert Park)	13.0	5.9	-54.6	Variance is due to demolition and remediation works delaying commencement of construction. The contract was awarded in December 2008.	2.0	16.0	50.5
Bendigo Education Plan – Eaglehawk – Eaglehawk Secondary College – Stage 2 (Eaglehawk)	4.4	1.8	-58.9	Variance is due to the finalisation of tender documents taking longer than originally anticipated, as a result of project scope being reviewed to fit within budgetary constraints.	0.0	12.0	85.0
Bendigo Education Plan – Kangaroo Flat – Kangaroo Flat Secondary College – Stage 2 (Kangaroo Flat)	2.2	1.2	-47.0	Variance is due to the finalisation of tender documents taking longer than originally anticipated, as a result of project scope being reviewed to fit within budgetary constraints.	0.0	11.0	89.5
Better Schools Today (various schools)	5.5	1.5	-73.2	The program was finalised in 2008-09. The expenditure in 2008-09 was adjusted to $1.475M as 2007-08 expenditure exceeded the annual allocation.	18.5	20.0	0.0
Better Schools Today 2008-09 (various)	35.0	11.4	-67.3	Variance is due to many schools combining funding from this program with funds provided under the Economic Stimulus Package (ESP) in order to derive the maximum advantage for individual projects.	0.0	35.0	67.3

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Broadmeadows Regeneration – Regeneration – Erinbank Secondary College and Hillcrest Secondary College (Broadmeadows)	8.1	7.0	-13.3	Variance is due to delay in tendering process as the design had to be revised to be within budget.	1.0	10.4	22.9
Community Facilities Fund (various)	2.6	1.0	-59.8	The contract was finalised in 2008-09. The expenditure in 2008-09 was adjusted to $1.039M as 2007-08 expenditure exceeded the annual allocation.	24.7	29.5	0.0
Dandenong – Regeneration – Dandenong High, Cleeland Secondary College and Doveton Secondary College – Stage 2 (Dandenong)	0.9	0.6	-31.0	Variance is due to the delay in awarding the contract as the scope of work changed at the design and development stage. Construction accelerated in 2009-10.	0.0	10.0	93.6
John Monash Science School – Monash University, Clayton Campus (Clayton)	14.0	8.1	-42.0	Variance is due to the nature of building works and expenditure in 2008-09 which was lower than estimated at budget formulation time but will accelerate sharply in the first half of 2009-10.	1.2	20.0	53.4

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Various Schools – Leading Schools Fund – Modernisation (various schools)	2.8	1.1	-59.0	This initiative comprised numerous projects. The variance is due to a significant number of projects being delayed in planning stage and revised implementation time frames due to schools entering into cluster arrangements or schools combining funding from this program with other capital works projects.	9.4	12.1	13.3
Western Heights Regeneration – Regeneration – Western Heights Secondary College – Three Campuses (Hamlyn Heights)	13.6	0.8	-94.2	Variance is due to the documentation being suspended pending resolution of the Joint Use Agreement and land acquisition issues with the City of Greater Geelong. Construction commenced in November 2009.	0.0	13.8	94.3
Department of Human Services[a]							
Colac Area Health, Polwarth Nursing Home –Residential Aged Care Strategy (Colac)[b]	0.2	0.0	-100.0	Project complete.	11.5	13.4	0.0

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Disability Services Strategic Refurbishment and Replacement Program Stage 2 (Statewide)	8.2	1.5	-81.6	Both the SRRP and the Colanda projects have achieved financial closure. A delay in construction of the final suite of houses has occurred due to the development of a joint capital program between Disability Services DHS and the Office of Housing Innovative Housing Opportunities Program (IHOP). This has resulted in the overall end-date being amended to late 2009. Project remains within original TEI.	3.5	15.0	66.5
Eastern Health Mental Health Redevelopment Stage 1 (Box Hill, Ringwood East)	7.5	6.3	-15.9	All construction works complete with only outstanding minor work packages to be complete. Project in financial completion phase.	22.6	31.3	7.7
Electronic Prescribing in Key Victorian Hospitals (Statewide)	13.6	7.2	-47.1	Delays associated with finalising agencies to participate in the rollout of the new system resulted in delays to the overall implementation schedule. Agency participation has now been finalised, with the project end-date adjusted to December 2010.	7.4	21.0	30.5
Geelong Hospital Emergency Department Redevelopment (Geelong)	4.4	3.9	-11.4	All construction works complete and facility operational. Project is in financial completion phase.	22.9	27.6	2.9
Geelong Hospital Radiotherapy Service (Geelong)[(b)]	0.7	0.0	-100.0	Project complete.	14.3	15.3	0.0

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Grace McKellar Centre –Redevelopment Stage 2 (Geelong)	2.1	0.4	-79.0	The project redevelopment has achieved occupation in June 2007. There are a number of minor enhancements/minor works (that fall within the master plan) that are being finalised and progressing within the remaining project funds. Financial reconciliation of the project is nearing completion.	44.7	52.8	3.2
Grovedale Aged Care Facility Development (Grovedale)	3.2	2.6	-16.3	Construction complete. Project in financial completion phase	20.2	23.4	2.2
HealthSMART Shared Information and Communication Technology (ICT) Operations (Statewide)	6.7	0.0	-100.0	The planned refresh program was postponed to 2009-10 to allow server reconfiguration. The project is still scheduled to meet original end-date of June 2012.	0.0	26.9	100.0
Heidelberg Repatriation Hospital Mental Health Redevelopment (Heidelberg)	7.3	0.1	-98.7	Variance due to delay in construction start date due to modifications to original design, following internal reviews. Construction end-dated has been amended to October 2010.	0.0	13.5	99.3
Hospital Energy Supply Project (Statewide)	10.0	2.0	-79.6	Delays in the procurement of major pieces of plant (principally diesel generators) has resulted in a delay to overall project. Project is now expected to be completed by July 2010.	0.0	23.6	91.4
Kew Residential Services Redevelopment (Kew)	5.8	0.5	-91.2	Construction works complete. Remedial works are continuing and are expected to be complete by June 2010. Project is in financial completion phase.	31.1	82.8	2.0

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Medical Equipment Replacement Program 2008-09 (Statewide)	35.0	30.4	-13.2	All funding for 2008-09 has been committed. Several large invoices associated with a number of high-cost medical equipment items still to be paid. Project to be financially complete by June 2010.	0.0	35.0	13.2
Metropolitan and Rural Ambulance Services – Station Upgrades (Statewide)	7.4	6.6	-10.7	Finalisation of the location of the Knox facility due to a local planning issue resulted in a delay to the commencement of construction for this site. A site has now been procured and construction commenced, with the overall project expected to be completed by June 2010.	2.2	11.7	25.5
North Richmond Community Health Centre Relocation (North Richmond)	1.0	0.3	-69.5	Town planning issues affected progression of the project has resulted in an overall delay in the project. An alternate site has been identified and the project has recommenced and progressing to the revised program.	4.3	22.5	79.6
Northeast Health Wangaratta – Nursing Home Redevelopment (Wangaratta)	0.6	0.2	-67.7	Construction complete. Project in financial completion phase with outstanding invoices to be paid.	10.0	10.5	3.0
Northern Hospital Redevelopment Stage 2a (Epping)	1.2	0.3	-75.0	Construction works complete. Delays in the finalisation of an environmental audit on the site delayed completion of the overall project. Remedial works are continuing and are expected to be complete by June 2010. Project is in financial completion phase.	23.3	24.5	3.8

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Placement and Support Residential Facility Renewal Strategy – Stage 6 (Statewide)	6.9	5.6	-18.5	A delay in finalising tendering documents for two of the required 14 houses resulted in an initial underspend for the project as commencement of construction was delayed. However, the project is now progressing ahead of the initial forecast end-date due to favourable building conditions.	6.9	14.2	11.7
Royal Melbourne Hospital Brickwork Rectification (Parkville)	1.8	1.0	-47.5	Urgent brickwork rectification works completed. Project is in financial completion phase, with outstanding invoices to be paid by June 2010.	25.7	27.7	3.7
Sunshine Hospital Expansion and Redevelopment – Stage 1 (Sunshine)	11.1	7.6	-31.7	Delay in appointment of construction manager, which delayed start of works on site. Rescheduled works to be completed with Stage 2.	6.2	20.0	31.1
Sunshine Hospital Expansion and Redevelopment – Stage 2 (Sunshine)	13.3	6.0	-54.6	Projected cash flow over-estimated in first year of construction programme. Overall, project is progressing to original schedule.	0.0	73.5	91.8
Super Clinics (Metropolitan)	1.2	0.9	-30.0	Construction on all three sites (Craigieburn, Melton and Lilydale) is complete. The project is in financial completion/defects liability phase with outstanding invoices to be paid.	40.8	41.7	0.1
Warracknabeal Nursing Home Stage 1 Redevelopment (Warracknabeal)	0.9	0.4	-56.6	Main construction works completed within original timelines. Project is in financial completion/defect liability phase.	20.0	21.5	4.8

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Warrnambool Hospital Redevelopment – Stage 1B (Warrnambool)	4.5	2.9	-34.9	The underspend is due to a delay in construction of the ambulance station due to issues associated with site selection. These issues have now been rectified and the project is progressing to the revised schedule with completion expected in Feb 2011.	0.0	70.1	95.8
Department of Innovation, Industry and Regional Development							
Automotive Centre of Excellence, Kangan Batman TAFE (Docklands) – Stage 2	10.0	6.0	-40.4	This project is at this point about 2 months behind program but still anticipated to be completed in June/July 2011. The delay to the project can be attributed to: • the remediation of soil contamination around a decommissioned main trunk sewer; and • the design team not meeting key documentation milestone dates.	1.2	30.0	76.3

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Chisholm Institute of TAFE – Trade (Automotive & Logistics) Training Centre (Dandenong) – Commonwealth supported project	3.7	0.3	-90.6	The delay to the project can be attributed to: • the design team being unable to meet documentation milestone dates due to uncertainty at the TAFE on the final project scope; and • construction tenders received exceeded the project budget and the design was subjected to an extensive value management process. A builder has now been appointed and construction progress claims will ensure a steady cash flow.	0.0	11.5	97.0
Northern Melbourne Institute of TAFE – Campus redevelopment stage 1 (Epping)	3.0	1.6	-44.5	The delay to the project can be attributed to: • the initial program and project cash flow for the documentation phase of the project was optimistic as to the time to settle issues; and • the tenders received exceeded the project budget and the design has been subjected to an extensive value management process. The total project cost has now been reduced to match project funding and a builder has been appointed.	0.0	10.5	84.3

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Parkville Gardens (Commonwealth Games Village) – Social housing component – Construction (Melbourne)	9.7	1.6	-83.3	There has been significantly less expenditure on the Parkville Gardens project than was originally anticipated largely attributed to the slow down in the residential market as a result of economic conditions. This has resulted in the postponement of certain works (namely the construction of the Lot 8 townhouses and freeway wall apartments) and has meant that the Government's requirement to provide financial support for elements such as environmental enhancements to the freeway apartments has in turn been deferred. This is in line with the development agreement allowing the developer up to 2012-13 with options to complete the development. The need to undertake contamination assessments and associated clean ups to enable construction to commence has also contributed to the delay. With respect to the value management program that has taken place, there has been realignment in the programming and location of certain uses which in turn that has meant that certain activities have been rescheduled/deferred.	25.4	35.1	23.1

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Princes Pier Restoration (Port Melbourne)	11.6	2.5	-78.4	Significant amounts of the existing timber, which was initially thought to be reusable, required replacing which impacted on the budget and timing of this project. Additional funding of $20 million was approved as part of the 2009-10 Budget to demolish the entire Princes Pier deck structure and reconstruct 196m of the deck (original Stage 1 scope), and restore and refurbish the gatehouse (Stage 2).	2.4	14.0	65.1
Victoria University – Consolidation of Engineering and ICT – Commonwealth supported project	0.1	0.1	-36.3	Project completed slightly under budget.	13.5	13.6	0.3
William Angliss Institute of TAFE – New teaching facility and campus redevelopment – Commonwealth supported project	9.1	7.7	-15.3	The final payment is outstanding as the TAFE and the builder are finalising the cost of variations to be paid from project contingency.	3.0	12.1	11.4
Wodonga Institute of TAFE – National logistics and driver skills training centre (Wodonga)	4.0	0.0	-99.0	The delay for the project was due to the inability to acquire a suitable site for the construction of the centre.	0.0	15.5	103.0

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Department of Justice[c]							
Ararat Police Station (Police Stations Program 2007-08) – Construction (Ararat)	6.0	0.9	-85.5	Victorian Civil and Administrative Tribunal (VCAT) processes delayed expected progress of this project during 2008-09. The TEI for this project was revised to $10.53m as part of the mid-year budget update process.	1.0	13.5	64.2
Bayside Police Station (Police Stations Program 2007-08) – Construction (Sandringham)	5.9	4.5	-23.7	A competitive market delivered lower than anticipated project costs. The TEI for this project was revised to $15.03m as part of the mid-year budget update. This has not affected the completion date.	0.7	13.0	75.6
Box Hill Police Station (Police Stations Program 2007-08) – Construction (Box Hill)	6.6	4.0	-39.4	A competitive market delivered lower than anticipated project costs. The TEI for this project was revised to $19.76m as part of the mid-year budget update. This has not affected the completion date.	1.6	16.5	85.7
Building Confidence in Corrections – Construction/Asset Enhancement (Statewide/ Rural)	78.2	30.0	-61.6	The decision to deliver the new Ararat prison through a Public Private Partnership, along with associated planning and contractual issues, has re-phased funding for this project. The TEI was revised to $315.04m during the mid-year budget update as a result of a Section 30 transfer. This has not affected the completion date.	0.0	316.6	90.0

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Carrum Downs Police Station (Police Stations Program 2007-08) – Construction (Carrum Downs)	6.1	0.5	-92.0	Project delayed due to protracted site identification and acquisition process. The TEI for this project was revised to $8.186m as part of the mid-year budget update.	0.9	14.0	48.3
Evidentiary Audio Visual Recording Equipment – Replacement (Melbourne)	7.5	5.2	-31.3	Project delayed due to protracted tender process. This has not affected the completion date. The TEI for this project was revised to $18.187m as part of the mid-year budget update.	0.0	19.0	68.4
Infringement Management and Enforcement Services – Enhancement/ Equipment (Statewide)	2.5	1.8	-29.8	Project delayed due to contractor experiencing issues in the completion of the requirements definition and design phases of the project. This has not affected the completion date.	2.5	27.9	84.8
Integrated Courts Management System (ICMS) – Asset Enhancement (Statewide)	9.2	8.0	-12.2	Project delayed due to issues in rollout of the case management software.	24.2	32.3	0.0
Justice System Major Crimes Resourcing Needs – Asset Enhancement (Statewide)	0.8	0.2	-77.2	Project delayed due to changes to project scope and system implementation issues. The TEI for this project was revised to $12.766m as part of the mid-year budget update process.	11.4	13.6	3.8

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Kyneton Police Station (Police Stations Program 2007-08) – Construction (Kyneton)	5.3	0.7	-86.7	Project delayed due to protracted council planning process, additional conditions imposed by Heritage Victoria which resulted in a redesign of the site master-plan and a portion of the building. The TEI for this project was revised to $12.241m as part of the mid-year budget update.	0.2	11.0	102.7
Lilydale Police Station – Construction (Lilydale)	11.5	3.2	-72.7	Project delayed due to protracted council planning process.	2.2	13.5	60.3
Melbourne Legal Precinct Master Plan – Old County Court Refurbishment – Construction/ Enhancement (Melbourne)	17.5	3.0	-82.9	Project delayed due to identification and removal of hazardous waste (asbestos), which in turn delayed the contractor appointment.	0.0	22.5	86.7
Melbourne North Police Station – Construction (Carlton–North Melbourne)	7.6	0.0	-100.0	Project recorded zero net expenditure for 2008-09 as a result of a refund of property purchase costs from DTF and delays in the site search and compulsory acquisition process. The original site identified for compulsory acquisition proved unsuitable due to contamination and, accordingly, a second site was identified and the compulsory acquisition process recommenced. The TEI for this project was revised to $23.9m as part of the mid-year budget update.	0.6	15.9	100.5
Modernising Coronial Services – Construction (Melbourne)	6.0	4.2	-29.5	Project delayed due to identification of latent site contamination.	1.0	31.7	83.4

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Moorabbin Court – Complex: Construction (Moorabbin)	0.5	0.4	-11.0	This project commenced in 2003-04 and was practically completed during 2008-09. The residual funds facilitated financial close of the project during 2009-10.	21.2	28.1	1.2
Swan Hill Police Station (Police Stations Program 2007-08) – Construction (Swan Hill)	6.1	4.8	-21.6	Project benefited from a lower contract amount than the original construction budget. Under spend was not a result of any slippage of the project program. The TEI for this project was revised to $16.075m as part of the mid-year budget update. This has not affected the completion date.	1.7	15.0	64.3
VICSES Support – Construction and Asset Enhancement (Statewide)	5.3	0.0	-100.0	Project had no capital expenditure for 2008-09 following s.30 FMA budget transfer to output. This process has not affected the completion date.	3.9	11.8	59.9
Department of Planning and Community Development							
Footscray Transit City – Upgrade	21.3	7.2	-66.3	The overall completion date for this project remains 2010. The updated expenditure profile reflects revisions to the project schedule and cash flow following the award of the tender.	10.2	46.1	62.3
Transit Cities: Revitalising Central Dandenong – Upgrade Works (Dandenong)	59.7	40.4	-32.4	Asset investment covers land acquisition and construction of projects relating to Lonsdale Street and City Street. Adjustments to the expenditure profile reflect updated project schedules.	109.7	243.4	38.4

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Department of Primary Industries							
Resource Rights Allocation and Management Program	1.7	0.2	-90.9	Variance due to the procurement of Program Management resources being delayed. Original phasing estimate for this procurement required readjustment however, this delay will have no impact on project outcomes. The Resource Rights Allocation and Management Program (RRAM) is a DPI flagship program. The engagement of a senior experienced program manager with expertise in business and ICT transformation programs was critical to the programs success. The engagement of the specialist program manager was delayed due to the lack of resource availability in the ICT labour market during mid to late 2008. The RRAM Program Control Board and DPI management undertook an extensive recruitment process prior to successfully engaging a suitably experienced program manager who commenced with the Department on 20 October 2008.	0	11.7	98.7
Department of Sustainability and Environment							
Bushfire Recovery 2007-08 – Strategy (Statewide)	6.8	0.4	-94.5	This program did not have a significant underspend as the majority of budgeted expenditure for 2008-09 was instead spent as output funding, including repairs and maintenance to assets damaged in the bushfires.	1.7	11.9	28.6

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Improving Victoria's Natural Tourism Attractions – National Parks Upgrades (Statewide)	5.0	3.3	-33.9	This program did not have a significant underspend as most of the remainder of budgeted expenditure for 2008-09 was instead spent as output funding.	1.8	11.1	42.0
Melbourne Zoo Seal Pool Redevelopment – Construction (Parkville)	7.0	5.9	-15.1	Project due to be completed in the 2009-10 financial year.	10.0	20.0	15.0
National Water Initiative – Macalister – Construction (Boisdale)	1.3	0	-100.0	The Commonwealth required further information regarding water savings prior to approval of the milestone payment. Southern Rural Water Corporation provided the additional information in 2009-10 and the milestone payment is now expected to occur in March 2010. The project remains on course to deliver estimated water savings of 15 gigalitres for the environment in the Macalister and Thomson rivers.	18.7	20.0	6.7
Sustainable Management of Victoria's Parks – Renew (Statewide)	8.4	5.1	-39.7	This program did not have a significant underspend as most of the remainder of budgeted expenditure for 2008-09 was instead spent as output funding.	31.4	55.2	27.8

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Sustainable Water Initiatives – Maintenance (Statewide)	4.5	0	-100.0	In 2008-09 this program was expected to fund works associated with the Werribee Vision Project. Approvals for stage one and two have been completed with the last four stages still requiring approval prior to the allocation of funding. Funding has been carried over into 2009-10 to allow for gaining the necessary approvals.	0	18.2	75.1
Victorian Water Trust Assets – Upgrades (various)	16.3	6.0	-63.0	This funding was allocated to a range of output initiatives. In addition, funding was carried over into 2009-10 for further development on business cases for projects.	104.2	152.6	8.4
Wonthaggi Desalination Project	30.0	0	0.0	The Desalination Plant is being delivered through a Public Private Partnership.[(d)]	2.0	32.0	0.0
Department of Transport[(c)]							
Accessible Public Transport in Victoria: Disability Discrimination Act (DDA) Compliance for Train, Tram and Bus (statewide)	41.8	33.3	-20.3	Reflects impact of acceleration of works in 2007-08.	56.4	129.2	30.5

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Barwon Heads Bridge Replacement (Barwon Heads)	13.9	2.8	-79.9	Finalisation of the bridge design was delayed by the heritage permit approval process and additional consultation with the community over the design. The design has been finalised, the permit issued and the contract awarded in May 2009.	3.2	22.3	73.1
Berwick Cranbourne Road Duplication (3km – 5 km) – Pound Rd to Thompsons Rd (Cranbourne North, Clyde North)	4.9	3.7	-24.5	Project is now open to traffic.	8.7	15.0	17.3
Breakwater Road Upgrade (Belmont, Geelong)	10.0	1.9	-81.0	Due to longer than expected planning scheme amendment approvals and additional consultation on projects design with affected landowners.	2.1	40.0	90.0
Caulfield–Dandenong Rail Corridor Stage Two – Westall Rail Upgrade (Springvale)	19.6	6.8	-65.3	Revised contract approval timelines.	0	151.1	95.4
Caulfield–Dandenong Rail Corridor – Stage One – Cranbourne Stabling and Station Upgrade (Cranbourne)	25.0	21.5	-14.0	Project completed – final claims only remain.	11.6	35.1	5.7
Congestion Improvements Program (various)	14.4	9.2	-36.1	Delivery for some projects rescheduled due to finalisation of scope and council approvals.	2.2	30.0	62.0

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Coolaroo Station (Coolaroo)	10.0	6.9	-31.0	Award of main contract has now occurred.	0.1	36.0	80.8
Country Rail Freight Network Maintenance (non Metro various)'	23.7	18.6	-21.5	Upgrade of gold lines completed. Remaining budget applied to the upgrade of silver lines as part of the 2009-10 Budget.	0	23.7	21.5
Craigieburn Station Track Upgrade (Craigieburn)	13.0	9.4	-27.7	Reflects rescheduling of activities to 2009-10.	0	29.8	68.1
Cranbourne Frankston Road Duplication (10.2km–11.9km) – Centre Rd to Western Port Hwy (Langwarrin)	2.9	1.9	-34.5	Project completed ahead of schedule.	6.8	11.4	23.7
Cranbourne Frankston Road Duplication (Hall Road and the Western Port Highway)	10.8	7.1	-34.3	Minor rescheduling.	2.3	30.0	68.7
Ferntree Gully Road Widening – Jells Road to Stud Road (Scoresby)	24.4	12.6	-48.4	Service relocation activities rescheduled following the February 2009 bush fires.	5.6	32.0	42.8
Geelong Rail Access Improvement Project (Corio/North Geelong)	18.7	15.0	-19.8	Main works completed December 2008, link of Corio goods line with wharves completed June 2009.	10.8	33.4	21.3
Geelong Ring Road Stage 4B (Anglesea Road to Princes Highway West, City of Greater Geelong)	5.0	1.1	-78.0	Rescheduling of some planning activities to 2009-10.	0	65.0	98.3

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
George Street Bridge – New Bridge to link George Street to Brighton Road (Dandenong)	6.0	3.1	-48.3	Minor rescheduling. Contracts now awarded.	8.8	17.5	32.6
Laverton Rail Upgrade (Laverton)	23.1	16.9	-26.8	Reflects rescheduling of activities to 2009-10.	0	92.0	81.6
Metropolitan Train Control Reliability (Melbourne)	28.4	15.5	-45.4	Reschedule of activities to 2009-10.	18.2	87.9	61.7
Metropolitan Train Safety Communications System (Metro various)	48.3	23.6	-51.1	Payments have been re-phased based on contract milestones.	12.5	134.9	73.2
Metropolitan Train Services (Metro various)	123.5	105.5	-14.6	Minor rescheduling.	32.5	565.8	75.6
Murray River Bridge Replacements – Crossings (Corowa, Echuca and Robinvale)	3.0	0	-100.0	Project impacted by stakeholder and planning issues relating to bridge alignment.	0	15.0	100.0
New Ticketing Solution – Technology and Installation (Statewide)	149.9	81.2	-45.8	Reflects changes to project scheduling following rollout in regional Victoria.	153.3	460.9	44.0
North East Rail Revitalisation Project (various)	18.2	11.3	-37.9	Rescheduling of works by the Australian Rail Track Corporation (ARTC).	0	59.8	81.1
North Melbourne Station Interchange Upgrade (North Melbourne)	10.0	8.5	-15.0	Reschedule of some works into 2009-10. Project completed November 2009.	28.6	38.6	3.9

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Princes Highway West – Stage 1 (Waurn Ponds to Winchelsea, City of Greater Geelong, Geelong)	5.0	0.2	-96.0	Rescheduling of some planning and development activities to 2009-10.	0	110.0	99.8
Regional Arterial Road and Bridge Links (non-Metro various)	1.9	1.6	-15.8	Rescheduling of planning activities for the Echuca–Moama Bridge project.	8.6	41.9	8.1
SmartBus: Green Orbital – Nunawading to Airport West (Metro various)	13.6	9.5	-30.1	Rescheduling of activities to 2009-10.	1.8	29.3	61.8
Taylors Road (15.2km to 15.8km) – Bypass/New Road – Sydenham Rd to East Esplanade – Grade Separation (St Albans)	8.1	4.7	-42.0	Project completed November 2008.	37.3	54.0	22.2
Tram and Bus Priority Program (Metro various)	6.0	3.8	-36.7	Minor rescheduling.	0	36.2	89.5
Vigilance Control and Event Recording System (VICERS) on Metropolitan Trains (Metro various)	20.0	6.6	-67.0	Rescheduling to align with train availability.	14.3	37.3	43.7
Western Port Highway Duplication (0km–4km) Cranbourne Frankston Rd to North Rd (Langwarrin, Cranbourne South)	18.7	9.7	-48.1	Project completed.	17.9	36.8	25.0

Notes:

(a) TEIs for the Department of Human Services are revised rather than original figures.

(b) Figure reported as 0 by the Department – this figure comes from Department of Treasury and Finance, Budget Information Paper No. 1 – Public Sector Asset Investment Program 2008-09*, pp. 40–1; explanation for variance from Department's response to questionnaire part 2, question 2.1(h).*

(c) TEIs for the Department of Justice and the Department of Transport are as published in the 2008-09 Budget Information Paper No. 1.

(d) Information supplied by the Committee.

Source: Departmental responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, except where noted

3.3.2 Major infrastructure projects with actual expenditure higher than estimated in 2008-09

There were 39 projects (20 per cent) in 2008-09 in which departments spent in excess of 10 per cent more than had been estimated (see Table 3.2). Together they amounted to $190.8 million more being spent than budgeted.[47] Table 3.6 provides a summary by department. Table 3.7 provides detailed explanations by department for these variances.

The main reason given for over-expenditure was projects proceeding ahead of schedule, with 72 per cent of project over-expenditures attributed to this cause (see Table 3.6). In many cases, favourable building conditions were cited as the reason. In some cases this meant that projects' end-dates could be brought forward, but in many instances the end-date remained unchanged.

Table 3.6: Major infrastructure projects with variances in over-expenditure greater than 10 per cent, by department

Department	Projects proceeding ahead of schedule	Other reasons for higher expenditure	Total
Education and Early Childhood Development	4	3	7
Human Services	16	0	16
Innovation, Industry and Regional Development	2	0	2
Justice	2	1	3
Planning and Community Development	0	0	0
Premier and Cabinet	0	0	0
Primary Industries	0	0	0
Sustainability and Environment	0	0	0
Transport	4	7	11
Treasury and Finance	0	0	0
Total (No.)	**28**	**11**	**39**
Total (%)	**71.8**	**28.2**	**100**

Source: Departmental responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two

47 An additional $16.4 million more than budgeted was spent on projects which over-spent by less than 10 per cent.

Other reasons provided for higher-than-estimated expenditure included:

- under-expenditure in 2007-08 leading to funds being carried forward to 2008-09 and spent then;
- unanticipated needs to remove high-risk site contaminants from construction sites;
- alterations to the schedule or milestones leading to adjusted cash flows;
- additional design and investigation activities being required; and
- land acquisition costing more than originally estimated.

Table 3.7: Major infrastructure projects with actual expenditure higher than estimated in 2008-09

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Department of Education and Early Childhood Development							
Bendigo Education Plan – Flora Hill – Flora Hill and Golden Square Secondary College (Flora Hill)	2.8	5.3	90.5	Variance is due to tendering and construction work proceeding ahead of schedule.	0.0	10.0	46.5
Broadmeadows Regeneration – Hume Senior Campus – Broadmeadows Secondary College, Hillcrest Secondary College, Erinbank Secondary College – Stage 1 (Westmeadows)	1.1	2.6	133.2	Variance is due to construction work proceeding ahead of schedule.	0.0	12.0	78.1
Maribyrnong Secondary College – Sports School at Maribyrnong (Maribyrnong)	4.8	9.6	99.1	The construction timeline was amended due to latent site conditions. The approved TEI is now $ 14.674M. The TEI increase and expenditure variance are both due to costs associated with removal of high-risk site contaminants. The TEI increase ($4.674M) was able to be funded from savings from other projects	2.2	10.0	-18.4
Relocatable Classroom Renewal (various)	4.2	4.6	10.2	–	0.0	26.0	82.2
Technical Wings and Trade Equipment for Government Schools – (various)	1.0	1.2	16.7	Variance is due to construction work proceeding ahead of schedule.	15.0	50.0	67.7

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Ultranet (various schools)	11.0	13.4	21.9	Following the completion of negotiations, a contract was signed in June 2009 and payments made in accordance with the terms of the contract. The BIP 1 2008-09 estimate was supplemented by a carry forward of funds from 2007-08.	3.4	60.5	72.2
Victorian College of the Arts Secondary School (VCASS) and Other Projects – Replacement School (Southbank)	11.3	12.9	14.8	Variance is due to construction work proceeding ahead of schedule.	5.3	20.0	9.0
Department of Human Services[a]							
Box Hill Hospital Outpatients and Dialysis Centre and Associated Works (Box Hill)	1.5	2.0	34.4	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Main construction works completed in June 2008 according to schedule. Major planning work to be undertaken as part of the overall redevelopment of the site. Anticipated to be completed by March 2010.	35.8	38.2	1.2
Caulfield General Medical Centre Logistics Building and Associated Works (Caulfield)	1.4	1.6	14.9	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Main construction works are progressing to schedule, with the project end-date remaining unchanged.	20.9	23.5	4.0

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Caulfield General Medical Centre Redevelopment Stage 2 (Caulfield)	5.0	7.7	53.1	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Main construction works are progressing to schedule, with the project end-date remaining unchanged.	1.7	28.0	66.8
Dandenong Hospital Emergency Department Redevelopment (Dandenong)	0.9	1.8	99.0	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Main construction works are progressing to schedule, with the project end-date remaining unchanged.	0.0	25.0	92.8
Frankston Hospital Stage 2 (Operating Theatre Expansion and Critical Care Redevelopment) (Frankston)	11.0	13.9	26.3	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Main construction works are progressing ahead of schedule. Project anticipated to be completed by September 2010.	6.7	45.0	54.3
Kingston Centre Kitchen Upgrade and Associated Works (Heatherton)	8.0	14.0	74.7	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Main construction works are progressing to schedule, with the project end-date remaining unchanged.	11.5	32.8	22.4
Kingston Centre Redevelopment – Stage 2 (Cheltenham)	2.2	2.7	24.6	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Main construction works are progressing to schedule, with the project end-date remaining unchanged.	0.0	45.0	94.0

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Latrobe Community Health Service – Morwell Redevelopment (Morwell)	2.0	6.7	237.4	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Main construction works are progressing to schedule, with the project end-date remaining unchanged.	0.0	21.0	67.9
Nathalia District Hospital and Aged Care Redevelopment (Nathalia)	7.0	7.8	11.1	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Construction works completed in December 2009, ahead of schedule. Project in financial completion phase.	2.4	18.0	43.6
Northern Hospital – Mental Health Expansion and Short Stay Unit Construction (Epping)	4.1	9.4	128.4	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Main construction works are progressing to schedule, with the project end-date remaining unchanged.	1.5	27.9	61.0
Olivia Newton-John Cancer Centre (Heidelberg)	5.0	6.1	22.5	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Main construction works are progressing to schedule, with the project end-date remaining unchanged.	0.0	25.0	75.5
Peninsula Community Health Service Redevelopment (Hastings)	6.0	7.8	30.3	Favourable building conditions allowed early works to be accelerated for initial stages of construction. The facility was officially opened in September 2009, ahead of schedule. Project in financial completion phase.	3.2	13.0	15.2

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Royal Melbourne Hospital Emergency Department Redevelopment (Parkville)	23.8	26.6	11.7	Favourable building conditions allowed early works to be accelerated for initial stages of construction. All construction works complete with the facility officially opened in October 2009. Project is in financial completion phase.	25.5	54.7	4.7
Stawell Health and Community Centre Redevelopment (Stawell)	10.0	12.9	28.6	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Main construction works are progressing to revised schedule.	2.6	20.0	22.8
Sunbury Day Hospital (Sunbury)	1.0	2.4	142.7	Original cash flows for the project were conservatively based for early stages. Main construction works are progressing to schedule, with the project end-date remaining unchanged.	0.0	14.0	82.7
Western Hospital Redevelopment Stage 1 (Footscray)	3.1	16.4	437.7	Accelerated cash flow due to construction works on priority infrastructure upgrades advancing ahead of schedule. Proactive management allowed physical works to commence earlier. Project is progressing to schedule with the project end-date remaining unchanged.	4.0	24.8	17.4
Department of Innovation, Industry and Regional Development							
Bendigo Institute of TAFE – Charleston Road Campus redevelopment (Bendigo)	0.8	0.9	11.5	Variance as a result of the project being slightly ahead of schedule.	0.0	11.0	91.1

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
South West Institute of TAFE – Warrnambool Stage 3 redevelopment (State funded component)	2.5	8.7	247.3	The 2008-09 estimated expenditure did not include any unspent carryover from 2007-08. The project experienced significant delays during 2007-08 which resulted in a significant underspend. The budget was subsequently rephased to incorporate a revised budget for 2008-09 of $7.37 million. Over expenditure resulted from the project being ahead of the revised schedule.	1.1	11.0	10.8
Department of Justice[(b)]							
Brunswick and Collingwood Police Complexes – Upgrades (Brunswick and Collingwood)	2.6	3.8	44.1	Project incurred additional costs as a result of identification and disposal of hazardous materials (asbestos) and concealed redundant plant and equipment.	4.9	12.2	0.0
Organised Crime and Counter Terrorism – Asset Enhancement (Statewide)	0.2	2.2	1225.6	Although overall project was delivered behind schedule, the annual 2008-09 project schedule was accelerated, resulting in the 2008-09 overspend variance. The TEI for this project was revised to $17.288m as part of the mid-year budget update.	14.3	15.4	0.0
Police Stations Priority Upgrade Program – Asset Enhancement (Statewide)	2.0	3.4	71.6	Project schedule was accelerated. This has not affected the completion date.	0.0	10.0	65.7
Department of Transport[(b)]							
Bass Highway Duplication – Stage 1 King Road to Woolmer Road (Bass, Anderson)	9.0	10.6	17.8	Minor rescheduling.	6.0	27.1	38.4

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Bass Highway Duplication Stage 5 – Grantville to King Road (Grantville)	2.7	6.3	133.3	Project completed.	17.2	23.6	0.0
Calder Highway Upgrade	18.3	26.2	43.2	Rescheduling of land sales to 2009/10.	246.2	306.2	1.0
Dynon Port Rail Link (Melbourne)	34.5	40.2	16.5	Project completed July 2009.	83.8	125.1	0.0
Nepean Hwy Bridge Replacement– Mordialloc Creek (Kingston City)	3.2	3.7	15.6	Acceleration of works during 2008-09.	6.5	10.2	0.0
Pound Road – South Gippsland Highway – South Gippsland Freeway Intersection Upgrade (Dandenong)	1.3	1.6	23.1	Additional design and investigation activities were undertaken.	0.0	36.8	95.7
Regional Rollingstock (non-Metro various)	23.8	27.4	15.1	Payments have been rephased based on contract milestones.	55.2	100.2	17.5
Safer Road Infrastructure Program 3 (various)	80.0	101.9	27.4	Ahead of budget during 2008-09 as a result of the acceleration of works.	55.0	722.2	78.3
West Gate – Monash Freeways Improvement Package (Metro various)	360.2	411.1	14.1	Ahead of budget during 2008-09 as a result of the acceleration of works.	160.8	1100.0	48.0
Western Highway Realignment – Anthony's Cutting (Melton to Bacchus Marsh)	5.0	7.7	54.0	Land acquisition slightly higher than estimated.	0.0	40.0	80.8

Project	BIP No 1 Budget 2008-09 estimated expenditure	2008-09 Actual expenditure	Variance	Explanation for variance	Expenditure 2005-06 to 2007-08	Total Estimated Investment	Remaining expenditure
	($ million)	($ million)	(%)		($ million)	($ million)	(%)
Western Highway: Deer Park Bypass and Leakes Road Interchange Upgrade (Deer Park)	95.1	114.9	20.8	Project completed April 2009 ahead of schedule.	231.6	331.0	0.0

Notes:

(a) TEIs for the Department of Human Services are revised rather than original figures

(b) TEIs for the Department of Justice and the Department of Transport are as published in the 2008-09 Budget Information Paper No. 1

Source: Departmental responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two and clarification questions

3.4. Major infrastructure projects with revised completion dates

The Committee sought information from departments regarding infrastructure projects with TEIs in excess of $10 million and budgeted expenditure in 2008-09 which had revised completion dates. In total, there were 94 projects with revised completion dates. Completion dates were brought forward in 24 cases (26 per cent) and postponed in 70 cases (74 per cent). A breakdown by department can be seen in Table 3.8.

Table 3.8: Major infrastructure projects' completion dates compared to original estimates (summary)

Department	Total projects	Brought forward	On time	Delayed
	(No.)	(%)	(%)	(%)
Education and Early Childhood Development[(a)]	22	0.0	50.0	45.5
Human Services	52	17.3	53.8	28.8
Innovation, Industry and Regional Development	12	0.0	25.0	75.0
Justice	22	4.5	45.5	50.0
Planning and Community Development	3	0.0	33.3	66.7
Premier and Cabinet	2	0.0	50.0	50.0
Primary Industries	1	0.0	100.0	0.0
Sustainability and Environment	19	26.3	73.7	0.0
Transport	61	14.8	49.2	36.1
Treasury and Finance	0	0.0	1.0	2.0
Total	**194**	**12.4**	**51.0**	**36.1**

Note: *(a) Details of the expected completion date for one project were not supplied.*

Source: *Departmental responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two*

The Committee asked departments to provide the reasons for the revised end-dates and these have been presented in Table 3.9 and Table 3.10.

The Committee notes that most departments provided limited meaningful information regarding why works were accelerated.

A range of explanations was provided for those projects that were delayed. In a number of cases, the cause of delays was beyond the control of the project. Issues such as the discovery of asbestos and soil contamination delayed some building projects. Some road works were delayed by adverse weather conditions. In other cases, delays were caused by timber that had been thought to be reusable proving not to be and the discovery of the remains of an early courthouse requiring an archaeological survey.

Delays were also caused by agencies which were beyond the State Government's control, such as other agencies undertaking projects on adjacent or connected sites, delays to funding from the Commonwealth Government and private companies being placed into administration. Similarly, delays to council approvals, a university taking longer than expected to finalise a project's scope and objections being taken to the Victorian Civil and Administrative Tribunal may also have been beyond the control of the departments.

The Committee also notes, however, that a number of the explanations provided by departments suggest issues with planning processes on the departments' part. These included:

- finalisation of tender documents taking longer than expected;
- redesigns of projects and revisions of project scope; and
- projects having to be revised because tenders exceeded project budgets.

The Committee notes that in some cases, these issues caused significant delays, with a number of projects experiencing delays of one to two years for these reasons.

In addition, whilst delays connected with getting other agencies on board and due to town planning issues may in some cases be beyond government departments' control, in other cases such matters may be reflective of poor planning or poor project execution by departments. A number of these delays also resulted in the postponement of project completion dates by one to two years.

Almost 63 per cent of projects with delays also had under-spends on their 2008-09 budgets (see Table 3.3), highlighting the inter-connectedness of timeliness and budgets. The Committee notes that there are times when unforeseeable events occur which can delay projects. However, it would appear that there is scope for improvement in departments' project planning processes to reduce the number of delays.

The Committee also enquired specifically about projects for which departments had reported revised completion dates to the Committee in 2007-08.[48] Of the 37 projects that continued into 2008-09 where completion dates had previously been revised, approximately half were revised again in 2008-09. Six projects (16 per cent) had completion dates brought forward and 13 projects (35 per cent) had the completion dates further postponed.[49]

The explanations for these revisions were similar to those generally provided for project delays, primarily adjustments to project scope and site contamination. Delays associated with finalising agency participation and contractors being unable to start when originally planned also contributed.[50]

As with the delays in general, some of these factors are unforeseeable, but some may be avoidable with improved project planning processes. This further emphasises the importance of departments having access to expert guidance both at project initiation and throughout the management of projects, as discussed further in Section 3.5.

48 See Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes*, May 2009, pp.97–101

49 Departmental responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two

50 ibid.

Table 3.9: Major infrastructure projects with completion dates brought forward

Project	Original completion date	Revised completion date (if applicable)	Explanation for revision
Department of Human Services			
Northern Hospital Redevelopment Stage 2a (Epping)	Jul-07	Apr-07	Construction complete and operational. Project is in financial completion phase.
Grovedale Aged Care Facility Development (Grovedale)	Jun-08	May-08	Construction complete. Project is in financial completion phase.
Leongatha Hospital Campus Stage 1 Residential Aged Care (Leongatha)	Feb-10	Apr-09	All construction works complete ahead of original timelines. Project in financial completion phase.
Alfred Centre Stage 2 (Prahran)	Jun-10	Jun-09	First stage of construction progressed ahead of schedule. Project completed ahead of original timelines.
Peninsula Community Health Service Redevelopment (Hastings)	Apr-10	Oct-09	Favourable building conditions allowed early works to be accelerated for initial stages of construction. The facility was officially opened in September 2009, ahead of schedule. Project in financial completion phase.
Royal Melbourne Hospital Emergency Department Redevelopment (Parkville)	Dec-09	Oct-09	Favourable building conditions allowed early works to be accelerated for initial stages of construction. All construction works completed ahead of schedule, with the facility officially opened in October 2009. Project is in financial completion phase.
Nathalia District Hospital and Aged Care Redevelopment (Nathalia)	Mar-10	Dec-09	Favourable building conditions allowed early works to be accelerated for initial stages of construction. All construction works completed ahead of schedule, with the facility officially opened in October 2009. Project is in financial completion phase.
Placement and Support Residential Facility Renewal Strategy – Stage 6 (Statewide)	Mar-11	Mar-10	Eleven of the planned fourteen houses are completed and occupied. Remaining houses scheduled to be completed in March 2010. This project was completed ahead of the original forecast completion date due to favourable building conditions.
Frankston Hospital Stage 2 (Operating Theatre Expansion and Critical Care Redevelopment) (Frankston)	Feb-11	Sep-10	Main construction works are progressing ahead of schedule, for completion by September 2010.
Department of Sustainability and Environment			
Melbourne Zoo Seal Pool Redevelopment - Construction (Parkville)	Jun-10	Dec-09	The project was completed ahead of schedule due to the Zoo using its internal labour to fast track the landscaping and interpretation work. In addition, the seals and penguins settled well into the new facility and therefore the exhibit could open ahead of schedule.

Project	Original completion date	Revised completion date (if applicable)	Explanation for revision
National Water Initiative - Macalister - Construction (Boisdale)	End of 2011	Dec-10	The Commonwealth and State agreed to provide funding to enable accelerated milestones.
Sustainable Water Initiatives - Maintenance (Statewide)	Jun-12	Jun-11	The timing of available funding will allow the works to be completed by June 2011.
Wimmera-Mallee Pipeline Project - State Component - Construction (Mallee/ Wimmera)	Jun-15	Apr-10	The Commonwealth and State brought forward funding so the project could be accelerated in recognition of the unprecedented drought and the urgent need to secure water supply for the Wimmera-Mallee region.
Wimmera-Mallee Pipeline Project - Commonwealth Component - Construction (Mallee/Wimmera)	Jun-15	Apr-10	The Commonwealth and State brought forward funding earlier so the project could be accelerated in recognition of the unprecedented drought and the urgent need to secure water supply for the Wimmera-Mallee region
Department of Transport			
Caulfield–Dandenong Rail Corridor – Stage One – Cranbourne Stabling and Station Upgrade (Cranbourne)	Jun-09	Late 2008	Project accelerated and completed ahead of schedule.
Cranbourne Frankston Road Duplication (10.2km–11.9km) – Centre Rd to Western Port Hwy (Langwarrin)	Feb-09	Late 2008	Project completed.
Derrimut Road Duplication (3.5km–5.12km) – Hogans Rd to Sayers Rd (Hoppers Crossing)	Mar-09	Late 2008	Project accelerated and completed ahead of schedule.
Duplication of Thompson Road – Cranbourne	Dec-09	Mid 2009	Road opened mid 2009.
Geelong Ring Road – Bypass/New Road (Geelong)	Dec-09	Mid 2009	Project completed.
Hume Highway – Donnybrook Road Interchange – Grade Separation (Beveridge, Craigieburn)	Jun-09	Early 2009	Project completed.
North Melbourne Station Interchange Upgrade (North Melbourne)	Dec-10	Late 2009	Project completed.

Project	Original completion date	Revised completion date (if applicable)	Explanation for revision
Track Duplication: Clifton Hill to Westgarth (Metro various)	Jun-10	Mid 2009	Trains began running over the new bridge in Jan 2009, with practical completion by mid 2009. Only minor works for completion early 2010.
Western Highway: Deer Park Bypass and Leakes Road Interchange Upgrade (Deer Park)	Dec-09	1st half 2009	Project completed ahead of schedule.

Source: *Departmental responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two and clarification questions*

Table 3.10: Major infrastructure projects with completion dates delayed

Project	Original completion date	Revised completion date (if applicable)	Explanation for revision
Department of Education and Early Childhood Development			
Albert Park Secondary College - Replacement Schools (Albert Park)	May-10	Sep-10	Site contamination required more complex remediation and delayed the construction commencement.
Bendigo Education Plan - Regeneration - Kangaroo Flat Secondary College (Kangaroo Flat)	May-09	Sep-10	Finalisation of tender documents taking longer than originally anticipated.
Broadmeadows Regeneration - Regeneration - Broadmeadows Secondary College and Broadmeadows Primary School (Broadmeadows)	Mar-09	Sep-09	An early childhood centre was added as a variance to the project scope.
Broadmeadows Regeneration - Regeneration - Erinbank Secondary College and Hillcrest Secondary College (Broadmeadows)	Sep-09	Nov-09	Stage 2 of construction was awarded to the same builder, who was working on both sites concurrently, which delayed the completion of stage 1.
Maribyrnong Secondary College - Sports School at Maribyrnong (Maribyrnong)	Dec-09	Apr-10	The construction timeline was amended due to latent site conditions.
Western Heights Regeneration - Regeneration - Western Heights Secondary College - Three Campuses (Hamlyn Heights)	Dec-10	Mar-11	Resolution of the Joint Use Agreement and land purchase issues with the City of Greater Geelong was achieved and construction commenced.
Bendigo Education Plan - Eaglehawk - Eaglehawk Secondary College - Stage 2 (Eaglehawk)	May-09	Sep-10	Finalisation of tender documents taking longer than originally anticipated.
Bendigo Education Plan - Kangaroo Flat - Kangaroo Flat Secondary College - Stage 2 (Kangaroo Flat)	May-09	Sep-10	Finalisation of tender documents taking longer than originally anticipated.
Dandenong - Regeneration - Dandenong High, Cleeland Secondary College and Doveton Secondary College - Stage 2 (Dandenong)	Jun-10	Jan-11	Delay in awarding the contract as the scope of work changed at the design and development stage.

Project	Original completion date	Revised completion date (if applicable)	Explanation for revision
John Monash Science School - Monash University, Clayton Campus (Clayton)	Nov-09	Mar-10	Project completion revised due to adjacent works being completed by Monash University.
Department of Human Services			
Box Hill Hospital Outpatients and Dialysis Centre and Associated Works (Box Hill)	Jun-08	Mar-10	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Main construction works completed in June 2008 according to schedule. Major planning work to be undertaken as part of the overall redevelopment of the site. Anticipated to be completed by March 2010.
Caulfield General Medical Centre Logistics Building and Associated Works (Caulfield)	Mar-08	Dec-09	A revision of the service plan resulted in a further review of the masterplan, delaying the full site development. Overall, the project was completed by its revised end-date of December 2009.
Caulfield General Medical Centre Redevelopment Stage 2 (Caulfield)	Nov-10	Dec-10	Project progressing to schedule.
Disability Services Strategic Refurbishment and Replacement Program Stage 2 (Statewide)	Mar-09	Feb-10	The Innovative Housing Opportunities Program (IHOP) portion of the project has been amended to February 2010, due to finalisation of the target client group and incorporation into the Department's public and social housing development program.
Eastern Health Mental Health Redevelopment Stage 1 (Box Hill, Ringwood East)	Apr-09	Jun-09	Some minor delays to the project were experienced due to gender sensitivity issues identified as part of the design development phase. These issues were required to be addressed in consultation with the agency before the design project could be finalised and construction commenced.
Electronic Prescribing in Key Victorian Hospitals (Statewide)	Jun-09	Dec-10	Delays associated with finalising agency participation resulted in delays. Project expected to be completed by Dec 2010.
Geelong Hospital Emergency Department Redevelopment (Geelong)	Dec-08	Mar-09	Project complete and is in financial completion phase. Minor defect and fault report is the reason for the revised completion date of March 2009.
Grace McKellar Centre – Redevelopment Stage 2 (Geelong)	Jun-07	Jun-09	The main project redevelopment was complete and facilities operational in June 2007 according to schedule. A. number of minor enhancements/minor works identified within the original rnasterplan were undertaken following completion of the main facility, delaying overall financial completion of the project. All works have now been completed.
Kew Residential Services Redevelopment (Kew)	Apr-08	Jun-09	Delays to construction of the on-site houses arose during the project due to change in ownership of the lead contractor. The off-site houses were completed according to the original schedule, with on-site houses completed by the revised end-date.

Project	Original completion date	Revised completion date (if applicable)	Explanation for revision
Kingston Centre Kitchen Upgrade and Associated Works (Heatherton)	Dec-08	Dec-10	Critical additional infrastructure works, as well as cost overruns associated with tender on Production Kitchen has caused delays to the overall project and TEI. Additional TEI has been funded from tender savings from the Casey Aged Care Development. Works are progressing to revised program and scheduled for completion in late 2010.
North Richmond Community Health Centre Relocation (North Richmond)	Dec-09	Dec-11	Town planning issues affected progression of the project, resulting in an overall delay. Facility redesign and escalation of construction costs over the extended development period has resulted in increased costs for the overall project. Additional TEI has been funded from savings within other TEI funded projects. An alternate site has been identified and the project has recommenced.
Rochester and Elmore District Health Service : Rochester Theatre and Hospital Redevelopment (Rochester)	Sep-09	Mar-10	Asbestos discovered during demolition works has resulted in a revised end-date of Mar-2010.
Stawell Health and Community Centre Redevelopment (Stawell)	Dec-09	Feb-10	Minor delays experienced due to unforeseen site conditions. Progressing to revised schedule, with a practical completion date of February 2010.
Warracknabeal Nursing Home Stage 1 Redevelopment (Warracknabeal)	May-08	Jun-09	Redesigns on planning options caused initial construction delays. Main construction works completed within original timelines. Project is in financial completion/defect liability phase.
Warrnambool Hospital Redevelopment –Stage 1 (Warrnambool)	Sep-10	Feb-11	Finalisation and procurement of a new site for the ambulance station has resulted in an overall delay to the project. All works completed except for the completion of the new ambulance station. Anticipated to be completed by February 2011.
Department of Innovation, Industry and Regional Development			
Automotive Centre of Excellence, Kangan Batman TAFE (Docklands) – Stage 2	Jun-11	Sep-11	The project has been delayed due to the necessary remediation of soil contamination around a decommissioned main trunk sewer.
Bendigo Institute of TAFE – Charleston Road Campus redevelopment (Bendigo)	Jun-09	Jun-11	A delay in completing the tender documentation has been experienced. Project anticipated to be completed by June 2011. The project was originally funded for $6.0 million with a completion date of June 2009. A review of the project scope resulted in the additional State funding of $5.0 million with a consequent later completion date.

Project	Original completion date	Revised completion date (if applicable)	Explanation for revision
Chisholm Institute of TAFE – Trade (Automotive & Logistics) Training Centre (Dandenong) – Commonwealth supported project	Dec-09	Jun-11	The delay to the project can be attributed to: • The design team was unable to meet documentation milestone dates due to uncertainty at the TAFE on the final project scope; and • construction tenders received exceeded the project budget and the design was subjected to an extensive value management process. A builder has now been appointed and construction progress claims will ensure a steady cash flow.
Northern Melbourne Institute of TAFE – Campus redevelopment Stage 1 (Epping)	Jan-11	Jun-11	There was a delay of approximately six weeks while Value Management Study took place. The design team was unable to meet the documentation milestone dates. The tenders received exceeded the project budget and the design has been subjected to an extensive value management process which has added six months to the project program.
Princess Pier Restoration (Port Melbourne)	Dec-09	Dec-10	The project has been delayed due to the need to replace significant amounts of the existing timber, which was initially thought to be reusable. Additional funding of $20 million to complete the works has been approved.
South West Institute of TAFE – Warrnambool stage 3 redevelopment (State funded component)	Dec-08	Jul-09	Ground excavation after demolition revealed the footings of an original court house. The subsequent archaeological survey had an impact on the program. Tenders received exceeded the project budget and the design was subjected to an extensive value management process, re-documentation and re-tendering.
Technical Education Centres (various)	Jun-09	Nov-09	State funding for Technical Education Centres (TEC) consists of four projects, of which three are on schedule. Issues surrounding the existing Brew Tower at the Ballarat Technical Education Centre are significantly impacting on this project. As the School of Mines car park project is interlinked with the Ballarat Technical Education Centre, this project is impacted by the lack of progress. Analyses of the options to proceed are being undertaken subject to Ministerial approval.
Victoria University – Consolidation of Engineering and ICT – Commonwealth supported project	Jun-07	May-08	The project completed in May 2008. The delays to the completion date were attributed to the University not being able to settle on a final scope for the project. Final project payments were withheld until the builder completed major rectifications.

Project	Original completion date	Revised completion date (if applicable)	Explanation for revision
William Angliss Institute of TAFE – New teaching facility and campus redevelopment – Commonwealth supported project	May-08	Dec-08	The initial project program did not take into account the difficulties of working on a very tight inner city campus and the issues of hazardous materials removal discovered in the 1930s buildings that had to be demolished.
Department of Justice			
Ararat Police Station (Police Stations Program 2007-08) – Construction (Ararat)	Jun-10	Oct-10	Project delayed due to the planning process progressing through the Victorian Civil and Administrative Tribunal (VCAT).
Brunswick and Collingwood Police Complexes – Upgrades (Brunswick and Collingwood)	Jun-08	Aug-09	Project delayed as a result of identification and disposal of hazardous materials (asbestos) and concealed redundant plant and equipment.
Melbourne North Police Station – Construction (Carlton–North Melbourne)	Nov-06	Aug-10	Project significantly delayed due to original site identified for compulsory acquisition proved unsuitable due to contamination and, accordingly, a second site was identified and the compulsory acquisition process recommenced.
Carrum Downs Police Station (Police Stations Program 2007-08) – Construction (Carrum Downs)	Jun-10	Aug-10	Project delayed due to protracted site identification and acquisition process.
Integrated Courts Management System (ICMS) – Asset Enhancement (Statewide)	Sep-09	Dec-10	Project delayed due to the contractor having significant issues in the design and roll-out of the software, along with variations to the original scope. The capital budget for this project has been fully spent, however no further asset funding will be sought from DTF with the remainder of the funding to come from output budget and operational cost savings.
Justice System Major Crimes Resourcing Needs – Asset Enhancement (Statewide)	Mar-06	Apr-10	The initial stage of the project was significantly delayed due to changes to the system requirements, the project team and management. The project was then further delayed when the private sector supplier failed to deliver services and was terminated, leading to the project management decision to develop the system in-house in March 2008. This led to changes to the project scope, as well as the planned two-phase delivery of the system being changed to a single delivery. The system is now in its final sessions of testing prior to go live in April 2010.
Kyneton Police Station (Police Stations Program 2007-08) – Construction (Kyneton)	Jun-10	Aug-10	Project delayed due to protracted council planning process, along with additional conditions imposed by Heritage Victoria, which resulted in a redesign of the site master plan and a portion of the building.

Project	Original completion date	Revised completion date (if applicable)	Explanation for revision
Lilydale Police Station – Construction (Lilydale)	Jun-09	Mar-10	Project delayed due to protracted council planning process.
Melbourne Legal Precinct Master Plan – Old County Court Refurbishment – Construction/ Enhancement (Melbourne)	Jun-10	Jul-10	Project delayed due to identification and removal of hazardous waste (asbestos) which in turn delayed the appointment of contractor.
Modernising Coronial Services – Construction (Melbourne)	Jun-11	Jun-13	Project delayed due to identification of latent site contamination. In addition, Federal funding ($13.0M) for the new Donor Tissue Bank Victoria (DTBV) further delayed project documentation and commencement of construction. The Department is seeking to consolidate a number of funding sources, including this project (along with Mortuary Services and the DTBV) into a single project titled “State Coronial Services Redevelopment (SCSR)”.
Organised Crime and Counter Terrorism – Asset Enhancement (Statewide)	Jun-08	Nov-08	Project complete. This project contained multiple segments across both the Department of Justice and Victoria Police. The majority of these segments were completed as per the original schedule. However, the final two segments were delayed because of procurement issues and were subsequently completed by November 2008.
Department of Planning and Community Development			
Footscray Transit City – Upgrade	Jun-10	Dec-10	The footbridge is expected to be completed by June 2010. Development of the forecourts and removal of old footbridge are expected to be completed by December 2010.
Rectangular Sports Stadium – Construction (Olympic Park)	Mar-08	May-10	The schedule of works from the main contractor has been adjusted to reflect the revised construction program for an increase in seating capacity and tenant fit-out works since the original program schedule.
Department of Premier and Cabinet			
Melbourne Recital Centre (MRC) & Melbourne Theatre Company (MTC) – Construction	Jan-07	Mar-09	Original completion date was revised due to site specific issues (such as ground contamination and ground water), acoustic vibration isolation requirements, and changes to ensure the functionality and viability for the MTC theatre and MRC.
Department of Transport			
Barwon Heads Bridge Replacement (Barwon Heads)	Sep-09	Late 2010	Completion date was revised early in project due to planning issues.

Project	Original completion date	Revised completion date (if applicable)	Explanation for revision
Bass Highway Duplication – Stage 1 King Road to Woolmer Road (Bass, Anderson)	Jan-10	Mid 2010	Completion date revised due to adverse weather.
Bass Highway Duplication Stage 5 – Grantville to King Road (Grantville)	Jun-08	Early 2009	Project completed.
Breakwater Road Upgrade (Belmont, Geelong)	Feb-09	Late 2011	Revised completion date reflects impact of planning scheme amendment.
Calder Highway Upgrade	Dec 06	1st half 2009	Project completed. No change to completion date over the last 12 months. Revised completion date reflected delays in funding commitment from the federal government.
Congestion Improvements Program (various)	Jun-10	2nd half 2010	By June 2010, only one project remains to be completed. Minor rescheduling due to finalisation of scope and council approvals.
Cranbourne Frankston Road Duplication (Hall Road and the Western Port Highway)	Mar-10	1st half 2010	Minor rescheduling.
Duplication of Thompson Road – Carrum Downs	Dec-09	Early 2010	Completion date revised due to adverse weather.
Ferntree Gully Road Widening – Jells Road to Stud Road (Scoresby)	Jul-09	Late 2009	Project completed – minor rescheduling.
Geelong Rail Access Improvement Project (Corio/North Geelong)	Aug-06	Mid 2009	Project completed. Completion in June 2009 reflects the completion of standard-gauge rail connection into the northern part of the Port of Geelong.
Geelong Ring Road Stage 4 (Geelong Ring Road to Anglesea Road – City of Greater Geelong)	Oct-10	Late 2010	
George Street Bridge – New Bridge to link George Street to Brighton Road (Dandenong)	Jun-08	Mid 2010	Finalisation of project scope and design took longer than anticipated.
Metropolitan Train Control Reliability (Melbourne)	Jun-10	Late 2010	No change of completion date over last 12 months.
Metropolitan Train Safety Communications System (Metro various)	Dec-10	Late 2011	Award of main works contract occurred later than planned. No change of completion date over last 12 months.

Project	Original completion date	Revised completion date (if applicable)	Explanation for revision
New Ticketing Solution – Technology and Installation (Statewide)	2008	2010	No change of completion date over last 12 months.
North East Rail Revitalisation Project (various)	Mid 2010	Late 2010	This is a program of works, which many aspects will be completed on schedule. Some delay has resulted from the changed location of a facility and the deferral of commissioning works.
Regional Rollingstock (non-Metro various)	Jul-09	1st half 2010	Revised completion date reflects the provision of additional trains funded in 2008-09.
Taylors Road (15.2km to 15.8km) – Bypass/ New Road – Sydenham Rd to East Esplanade – Grade Separation (St Albans)	Jun-08	Late 2008	Project completed – minor rescheduling.
Vigilance Control and Event Recording System on Metropolitan Trains (VICERS) (Metro various)	Jun-08	Late 2011	Several issues contributed to the revised timeframe, including: RTBU withdrawing assistance from VICERS for three months in early 2006; Siemens braking issue diverting technical resources in 2006/07; Integrian acquisition and diversion of resources to US projects, coupled with the company being placed into administration in 2007/08; and unavailability of trains from July to October 2008. Revised completion date reflects the resolution of software issues and ensuring that system performance is stable.
Vineyard Road (Obeid Drive and Mitchells Lane, Sunbury)	Dec-09	Mid 2010	Minor rescheduling.
Whole of Government – Transit Cities – Ballarat Second Station (Ballarat)	End 2008	Mid 2009	Project completed. No change to completion date over the last 12 months.
Wodonga Rail Bypass (Wodonga)	Oct-04	Oct-10	No change to completion date over the last 12 months.

Source: *Departmental responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two and clarification questions*

3.5. Supporting departments' project planning and management

Overall, in only 27 per cent of cases were projects delivered within 10 per cent of their 2008-09 budget. Similarly, only 51 per cent of projects currently underway expect to meet their original completion dates. This indicates that departments are experiencing some difficulties accurately estimating required budgets and timelines. To ensure efficient and effective delivery of infrastructure programs, it is important that departments have expert guidance when undertaking initial project planning and through the life of projects.

Based on explanations given to the Committee in this inquiry, it appears that departments would benefit from expert guidance with respect to:

- identifying all required steps of a project;
- accurately estimating the timing of steps;
- ensuring that project scope is fully and correctly identified at the start of the project; and
- successfully incorporating the needs of stakeholders, including agencies and councils, into scope definition and timeline planning.

In its *Report on the 2007-08 Financial and Performance Outcomes*, the Committee recommended that:[51]

> *Departments establish knowledge management processes and systems that facilitate the sharing of expert knowledge and lessons learnt in the planning and timing of major infrastructure projects. This is essential in the planning stages of a project.*

The Government's response indicated that the Government was seeking to achieve this through a number of means, primarily through work undertaken by the Department of Treasury and Finance. This included the establishment of a Gateway Supervisory Committee to share lessons learnt from major infrastructure investment projects, the Investment Lifecycle Guidance publications, business case training sessions and a Project Management Community of Practice.[52]

The Department of Treasury and Finance and Major Projects Victoria (for projects nominated under the *Project Development and Construction Management Act 1994*) play key roles in supporting departments to plan and manage their projects. In both cases, little information is made publicly available about how effective and efficient these project management and support services have been. To ensure that these bodies are providing as much benefit as possible, it is important that the effectiveness and efficiency of their support in terms of infrastructure project outcomes be assessed and reported.

51 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes*, May 2009, recommendation 7, p.79

52 Victorian Government, *Responses to the Recommendations of Public Accounts and Estimates Committee's 79th Report on the 2007-08 Financial and Performance Outcomes*, November 2008, p.7

The Committee notes that the Department of Treasury and Finance, along with other government agencies such as the Victorian Auditor-General's Office, do produce a number of guidance materials and best practice guides for departments to use in managing asset investment projects. However, these products are only useful in as much as they are successfully integrated into departments' activities. It is therefore important for the Department of Treasury and Finance to monitor the uptake of its advice by departments, so that it can modify its products to improve uptake or results if required.

Recommendation 5: **The Department of Treasury and Finance establish measures, and report on their success against them in its annual reports, to assess the performance of its programs facilitating project planning and management in terms of:**

(a) the extent to which the Department's advice is actually incorporated into project planning and management by agencies; and

(b) the extent to which the Department's programs actually improve agencies' ability to deliver projects on time and on budget.

The Department of Treasury and Finance consider whether it should facilitate project management training for project managers in other departments so as to assist departments to implement its advice and guidance.

CHAPTER 4: REVENUE AND REVENUE FOREGONE

Key findings of the Committee:

4.1 **In relation to the general government sector, which comprises departments and other budget-funded agencies, income from transactions increased to $39.3 billion in 2008-09, a rise of $1.9 billion (5.2 per cent) from 2007-08.**

4.2 **Total revenue for the State of Victoria, which also includes the public financial corporations and public non-financial corporations sectors, rose to $45.4 billion, an increase of $1.9 billion (4.3 per cent) from 2007-08.**

4.3 **Major movements in income from transactions raised by the general government sector between 2007-08 and 2008-09 consisted of increased revenue to the State derived from grants ($1.8 billion or 10.2 per cent), sales of goods and services ($452 million or 10.1 per cent), and other current revenue ($311 million or 19.9 per cent), with a reduction in taxation by $236 million (1.8 per cent), and dividends and income tax equivalent and rate equivalent revenue by $270 million (35.5 per cent).**

4.4 **Major variations in specific revenue items between 2007-08 and 2008-09 in the general government sector were as follows:**

- **land tax increased by $372.2 million (43.0 per cent) due to increased revaluations of site values as at 1 January 2008;**
- **land transfer duty reduced by $904.6 million (-24.4 per cent) reflecting the impact of the global financial crisis (GFC) on the property market. There were large falls in transaction volumes, particularly in the non-residential sector and high-end residential market, and moderate falls in house prices. However, there was strong first home buyer activity at low-end of the residential market due to the impact of the State and Commonwealth Government first home owners grants;**
- **income tax equivalent and rate equivalent revenue reduced by $254.6 million (-64.3 per cent) reflecting the impact of the GFC on the investment market performance of the Public Financial Corporation sector in 2008-09;**
- **refunds and reimbursements increased by $280.6 million (572.5 per cent) reflecting the $266 million reimbursement from the Commonwealth Government for costs associated with the 2009 Victorian bushfires;**
- **other specific-purpose Commonwealth grants increased by $1,384.3 million (24.0 per cent) largely representing additional funding provided via the national stimulus packages.**

4.5 **In May 2009, the Government reassessed its short-term operating surplus target to ensure it remains relevant, and revised the target from at least 1 per cent of revenue back to at least $100 million to allow for the delivery of vital services and the provision of key infrastructure, while maintaining a sound fiscal position.**

4.6 **A greater level of discussion and analysis on the State of Victoria revenue outcomes, including comparison with prior year actuals, in addition to that already provided for the general government sector, would be useful in the Financial Report for the State of Victoria.**

4.7 **Against an initial estimate of $14.1 billion in taxation revenue and income tax equivalent revenue to be received in 2008-09, actual taxation revenue and income tax equivalent revenue for the year amounted to $13.1 billion, a decrease of 6.7 per cent. This result exceeded the target set for the Department of Treasury and Finance's output measure 'Accuracy of estimating State taxation revenue' for equal to or less than 5.0 per cent accuracy in 2008-09.**

4.8 **The estimated tax expenditures that could be costed (including thresholds) for 2008-09 totalled $4.6 billion compared to the prior year estimate of $4.2 billion, an increase of $0.4 billion or 9.5 per cent. The largest components of these estimated tax expenditures comprised Land Tax Exemptions (estimated at $1.6 billion) and Payroll Tax exemptions (estimated at $2.6 billion).**

4.9 **Budget estimates for concessions for 2008-09 were $1.3 billion compared to the estimate for 2007-08 of $1.2 billion. With an estimate of $506 million for 2008-09, health comprised the largest category of concessions.**

4.10 **With regards to the granting of concessions and subsidies in 2008-09, the largest items of revenue foregone noted by the Committee included:**

- **Department of Human Services**
  - **Water and Sewerage Charges** — **$96.3 million; and**
  - **Municipal Council Rates** — **$75.6 million.**
- **Department of Transport**
  - **Public Transport** — **$212 million; and**
  - **VicRoads** — **Net revenue foregone from collections on behalf of the Victorian Government totalled $75.2 million and on behalf of the Transport Accident Commission totalled $108.9 million.**

4.1. Introduction

Chapter 2 (Overview of the State's 2008-09 Financial and Performance Outcomes) of this report provides an overview of the State's financial outcomes in 2008-09. It summarises information on revenue received by the general government sector, including explanations for variances in selected revenue items against the revised estimates for 2008-09, as presented in the Government's 2008-09 Annual Financial Report. Discussion on variances between actual revenue raised for 2008-09 to the prior year is also made for various selected revenue items.

This chapter discusses Revenue and Revenue Foregone and provides a high level analysis of revenue for 2008-09 for the general government sector and the wider State of Victoria compared to the prior year. The Committee has also reviewed revenue foregone in terms of tax expenditures, concessions and subsidies.

The Committee makes selective comments, in this chapter, given the various information already available through publications released by the Department of Treasury and Finance in the form of budget papers and the financial reports, annual reports of agencies and Auditor-General's reports.

4.2. Revenue

4.2.1 Revenue summary

A summary of revenue derived by the general government sector and the State of Victoria is presented in Table 4.1. The table shows that in aggregate terms:

- for the general government sector, which comprises departments and other budget funded agencies, income from transactions increased to $39.3 billion in 2008-09, an increase of $1.9 billion (5.2 per cent) from 2007-08; and

- for the State of Victoria, which also includes the public financial corporations and public non-financial corporations sectors, revenue increased to $45.4 billion in 2008-09, an increase of $1.9 billion (4.3 per cent) from 2007-08.

The main components of various key revenue items are set out below:

- **Taxation:** Payroll tax (31.5 per cent of taxation), taxes on property which include land transfer duty and land tax (33.8 per cent), gambling taxes which include taxes on electronic gaming machines (13.1 per cent), taxes on insurance (9.8 per cent) and motor vehicle taxes (10.5 per cent);

- **Dividends, income tax equivalent and rate equivalent revenue:** Amounts received by the State from government business enterprises; and

- **Grants:** include general purpose grants (GST grants) (49.1 per cent of total grants), specific purpose grants for on-passing (11.8 per cent) and other specific purpose grants (37.7 per cent) from the Commonwealth.

Table 4.1: Revenue summary for the general government sector and the State of Victoria: Comparison of revenue for 2008-09 to the actual for 2007-08, and the initial budget and revised budget for 2008-09

Revenue item	General government sector[a]						State of Victoria[b]			
	Actual 2007-08 ($ million)	Estimate 2008-09 ($ million)	Revised Estimate 2008-09 ($ million)	Actual 2008-09 ($ million)	Year on Year Variance [c] ($ million)	Year on Year Variance [c] %	Actual 2007-08 ($ million)	Actual 2008-09 ($ million)	Variance ($ million)	Variance %
Taxation	12,862.9	13,382.9	12,720	12,626.9	-236	-1.8	12,697.5	12,443.6	-253.9	-2
Interest	451.6	402.2	408.2	378.2	-73.4	-16.3	1,300.9	1,190.0	-110.9	-8.5
Dividends and income tax equivalent and rate equivalent revenue	759.9	669.9	474.2	490.4	-269.5	-35.5	576.1	394.3	-181.8	-31.6
Sales of goods and services	4,488.3	4,334.5	5,076.6	4,940.5	452.2	10.1	9,752.2	10,326.9	574.7	5.9
Grants	17,210.1	17,555.0	18,789.4	18,970.0	1,759.9	10.2	17,108.5	18,722.6	1,614.1	9.4
Other current revenue	1,567.5	1,465.6	1,683.8	1,878.9	311.4	19.9	2,128.4	2,354.5	226.1	10.6
Total	**37,340.3**	**37,810.0**	**39,152.1**	**39,284.8**	**1,944.5**	**5.2**	**43,563.4**	**45,432.0**	**1,868.6**	**4.3**

Notes:

(a) The general government sector consists of government departments, offices and other bodies such as public hospitals that are engaged in providing services free of charge or at prices significantly below their cost of production. This sector is largely responsible for the delivery of government policy as set out in the annual State budget.

(b) The State of Victoria comprises the general government sector, the public non-financial corporations sector which provides goods and services of a non-financial nature, along commercial lines, through the adoption of cost recovery procedures (includes the various water, rail and port authorities) and the public financial corporations sector which provides financial services in accordance with commercial principles (includes the Transport Accident Commission, Victorian Workcover Authority, Treasury Corporation of Victoria and the Victorian Funds Management Corporation).

(c) Change between 2008-09 Actual and 2007-08 Actual.

Sources: Budget Paper No.4: Statement of Finances, 2008-09, p.10; Budget Paper No.4: Statement of Finances, 2009-10, p.284; Department of Treasury and Finance, Financial Report for the State of Victoria 2008-09, October 2009, p.45

4.2.2 Revenue – the Government's strategy and outlook for 2008-09

The Government, in its 2008-09 budget, indicated that:[53]

- its short-term operating surplus target had been changed from at least $100 million to at least 1 per cent of revenue each year, ensuring the surplus target grows in line with revenue;
- in response to an increasingly uncertain economic environment, it remains committed to ongoing economic reform to maintain the prosperity of current and future generations;
- a surplus of $828 million was forecast in 2008-09 and an average of $907 million over the forward estimates period;
- tax relief for business, including new reductions to payroll tax, land tax, stamp duty on land transfers and workcover premiums, as well as the provision of targeted exemptions to land tax and stamp duty on land transfers;
- more restrictive monetary policy should affect the national economy in 2008-09, with growth in household demand in particular likely to slow. Nonetheless, growth should still be solid; and
- downside risks dominate the short-to-medium term economic outlook. The main risks to the Victorian economic projections are from higher inflation and interest rates, financial market volatility, global economic developments, exchange rate movements and prospects for the rural sector.

In the Committee's review of impacts on revenue generation for the State, the Committee observed that the Government also predicted in May 2008 that Victoria's Gross State Product (GSP) was expected to moderate to around trend growth of 3 per cent in 2008-09 compared to forecast growth of 3.25 per cent in 2007-08.[54] The Government reported that this largely reflected more moderate household consumption growth in light of higher interest rates and petrol prices. Higher interest rates will also constrain the strength of dwelling investment recovery. Business investment is also expected to grow more moderately, with non-residential business construction the main driver of near-term business investment growth.[55]

The Committee noted that in terms of revenue risks, with regards to Commonwealth grants (estimated to be $17.6 billion in 2008-09 or 46.4 per cent of the estimated general government sector revenue), the level of specific purpose payments was determined by policies of the Commonwealth Government, while the level of Goods and Services Tax (GST) grants was affected by the general level of activity in the Australian economy and the GST revenue sharing relativities calculated by the Commonwealth Grants Commission.[56] Further, there are two main sources of risk to the taxation estimates being changes in economic conditions from those projected and changes in the relationship between the economic variables and taxation revenue.[57]

53 Budget Paper No.2: *Strategy and Outlook, 2008-09,* pp.5, 15, 27, 34

54 ibid., pp.23, 28

55 ibid., p.28

56 ibid., p.47

57 ibid.

4.2.3 Revision to revenue expectations during 2008-09

As reported by the Government in November 2008 in its mid-cycle review of the annual State Budget, the economic outlook has deteriorated since the May 2008 budget. Of particular significance was that the Victorian Gross State Product was forecast to grow by 1.5 per cent in 2008-09, slower than the 3.0 per cent expected at budget time. This reflected the impact of slower global demand, tightening credit conditions, falling asset prices and lower consumer and business confidence. The Committee also noted that employment growth, while continuing, will be at a slower rate, and the unemployment rate is expected to rise.[58]

The Government's 2008-09 mid-cycle review of the annual State Budget, which took into account the financial impacts of all policy decisions of the Government up to 24 November 2008[59], revealed that revisions to key economic variables, reflecting lower growth rates than projected at the time of the 2008-09 Budget, have resulted in downward revisions to estimates for general purpose Commonwealth grants (GST grants) and State taxation revenue. There have also been some offsetting upward revisions associated with specific purpose payment Commonwealth grants and State own-source revenue.[60]

The Committee noted that the Government in November 2008 revised its estimate of the operating surplus for 2008-09 downwards to an estimated $382 million for the general government sector, $446 million lower than at the 2008-09 Budget.

With regard to the revision of taxation estimates downwards, the Committee noted that the Budget Update disclosed that:[61]

- income from taxes on financial and capital transactions, largely comprising stamp duty on land transfers, was revised downwards by $706 million in 2008-09; and
- declines in expected total motor vehicle, insurance and gambling tax revenue of $70 million principally reflecting the projected slowdown in economic activity.

In relation to GST grants, the revision of this item downwards by $342 million in 2008-09 reflects a decrease in the size of the GST pool. The lower GST pool reflected an expected decline in national household consumption.[62]

Investment income from dividends, income tax equivalent and rate equivalent revenue was revised downwards by $169 million largely reflecting the impact of the decline in the financial market on the performance of the State's public financial corporations and therefore the income tax equivalent and rate equivalent levied on their forecast profits.[63]

58 Victorian Government, *2008-09 Budget Update*, p.17

59 ibid., p.1

60 ibid., p.2

61 ibid., p.31

62 ibid., p.32

63 ibid., p.32

Conversely, the following estimated increase in revenue was expected:[64]

- Commonwealth specific purpose grants of $417 million in 2008-09 to reflect new and additional specific purpose grant funding for first home owners, health and disability services, capital funding for the Commonwealth's Elective Surgery Wait List Reduction Plan, TAFE funding, and expected income from the State's claim to the Commonwealth for reimbursement for natural disaster relief provided by the State in 2006-07; and

- Own-source revenue of $504 million as a result of expected increased third party revenue in the hospital, TAFE and schools sectors.

Further, during the *2009-10 Budget*, the Government reassessed its short-term operating surplus target to ensure it remains relevant, and has revised the target from at least 1 per cent of revenue back to at least $100 million to allow for the delivery of vital services and the provision of key infrastructure, while maintaining a sound fiscal position.[65] Further, in the face of the Global Financial Crisis, the Victorian economic outlook has deteriorated and the economic projections revised down significantly since the 2008-09 *Budget Update*. In the *2009-10 Budget,* the Government estimated Victoria's GSP to grow by 0.5 per cent in 2008-09,[66] down from the 1.5 per cent expected in the mid-cycle Budget Update.

4.2.4 Revenue outcomes for 2008-09

As shown in Table 4.1, the Government received income from transactions collected by departments and other budget funded agencies (the general government sector) totalling $39.3 billion in 2008-09, around 86.5 per cent of the State's total revenue for the year of $45.4 billion.[67] Therefore, the focus of the Committee's comments is aimed at revenue derived from the general government sector.

The largest revenue items within the general government sector for 2008-09 were:

- **Grants:** $19.0 billion (48.3 per cent of total general government sector revenue); and

- **Taxation:** $12.6 billion (32.1 per cent of total general government sector revenue).

The major movements in income from transactions raised by the general government sector between 2007-08 and 2008-09 consisted of increased revenue derived from grants of $1.8 billion (10.2 per cent), sales of goods and services of $452.2 million (10.1 per cent) and other current revenue of $311.4 million (19.9 per cent). These increases were partially offset by decreased revenue derived from taxation of $236 million (1.8 per cent) and dividends and income tax equivalent and rate equivalent revenue of $269.5 million (35.5 per cent).

Some of the main reasons for major variances in revenue categories between 2007-08 and 2008-09 are summarised in Table 4.2.

64 ibid., p.32

65 Department of Treasury and Finance, Budget Paper No. 2: *Strategy and Outlook, 2009-10*, pp.3 and 8

66 ibid., p.19

67 Department of Treasury and Finance, *2008-09 Financial Report for the State of Victoria*, October 2009, p.45

Table 4.2: General government sector: Explanation for revenue movements 2007-08 compared to 2008-09

Revenue item	2007-08 Actual ($ million)	2008-09 Actual ($ million)	Variance ($ million)	Variance %	Explanation for variance
Taxation					
Land tax	865.4	1,237.6	372.2	43.0	Increase in revaluations of site values as at 1 January 2008, in line with two yearly valuation cycles as specified in legislation.[a]
Land transfer duty	3,705.6	2,801	-904.6	-24.4	Reflecting the impact of the global financial crisis (GFC) on the property market. In particular, the drop was precipitated by large falls in transaction volumes and moderate falls in house prices.[b]
Dividends and income tax equivalent and rate equivalent revenue					
Income tax equivalent and rate equivalent revenue	395.8	141.2	-254.6	-64.3	Lower income tax equivalent revenue from the public financial corporations (PFC) sector, reflecting the impact of the GFC on the investment market performance in 2008-09. Refer to further Committee comments below on this issue.
Sales of goods and services					
Refunds and reimbursements	49	329.6	280.6	572.7	A $266 million reimbursement from the Commonwealth Government for costs associated with the 2009 Victorian bushfires, as part of the National Disaster Relief and Recovery Arrangements (NDRRA).[c]
Grants					
Other specific purpose grants	5,775.3	7,159.6	1,384.3	24	Representing additional funding provided by the Commonwealth Government via the national stimulus packages.[d] Refer to further Committee comments below on this issue.
Other current revenue					
Fair value of assets received free of charge of for nominal consideration	76.7	131.3	54.6	71.2	Assets received free of charge by the Murray-Darling Basin Authority.[e]
Donations and gifts	211.2	269.3	58.1	27.5	Higher donations, bequests, and fund raising income received by health services.[f]
Other miscellaneous income	779.4	936	156.6	20.1	Receipt of additional unclaimed monies following amendments to the *Unclaimed Money Act 2008*, where the period required to forward unclaimed monies to the State was reduced from two years to one year. Higher revenue generated by Major Projects Victoria, mainly relating to the redevelopment of the former Kew Cottages site into a new integrated residential neighbourhood.[g]

Source: *Department of Treasury and Finance, Financial Report for the State of Victoria 2008-09, October 2009, pp. 82–4, 126–8*

Sources:

(a) Department of Treasury and Finance, 2008-09 Financial Report for the State of Victoria, October 2009, p.126
(b) ibid.
(c) ibid.
(d) ibid., p.19
(e) ibid., p.128
(f) ibid.
(g) ibid.

The Committee noted that the decline in financial assets values in the public financial corporations sector during 2008-09 resulted in a large reduction in the income tax expense for related agencies (This sector includes agencies such as Transport Accident Commission, Victorian Workcover Authority and Victorian Managed Insurance Authority). As a result, revenue derived from income tax equivalent and rate equivalent for that sector decreased by $372.3 million (98.2 per cent) from $379 million in 2007-08 to $6.7 million in 2008-09.[68]

A review of the financial statements of the Transport Accident Commission, Victorian Workcover Authority, and the Victorian Managed Insurance Authority for 2008-09 revealed that investments declined significantly from 30 June 2008 to 30 June 2009.

Table 4.3: Investment portfolio movements between 2007-08 and 2008-09 in the insurance entities

Entity	2008-09 $ million	2007-08 $ million	Variance %
Transport Accident Commission	5,859.3	6,713.9	-12.7
Victorian Workcover Authority	7,999.4	9,534.6	-16.1
Victorian Managed Insurance Authority	847.8	992.4	-14.6

Source: Transport Accident Commission, 2008-09 Annual Report, October 2009, p.46, Victorian Workcover Authority, 2008-09 Annual Report, October 2009, p.50, Victorian Managed Insurance Authority, 2008-09 Annual Report, October 2009, p.31

The Committee noted that the State received significant additional grant funding from the Commonwealth during 2008-09. This funding resulted from the Commonwealth Government's *Nation Building – Economic Stimulus Plan*, new funding associated with the creation of a new stream of reform orientated National Partnerships, and underlying growth funding for the five new broadbanded specific purpose payments in the areas of healthcare, schools, skills, affordable housing and disability. This included additional grant funding for the following:[69]

- $261 million for government and non-government school infrastructure as part of the *Nation Building – Economic Stimulus Plan* (Building the Education Revolution);
- $316 million for hospital and health workforce reform;
- $136 million for public hospitals under the National Healthcare Agreement;

68 Department of Treasury and Finance, *Financial Report for the State of Victoria, 2008-09*. p.83

69 ibid., pp.19, 127

- $116.8 million for Housing initiatives, including $64.4 million under the Commonwealth's *Nation Building – Economic Stimulus Plan* for the construction of new social housing dwellings and refurbishment of existing stock;
- $150 million for the Regional Rail Link project;
- $209 million for the Commonwealth's First Home Owners Boost;
- $242 million for computers in government and non-government schools as part of the Digital Education Revolution initiative; and
- $90.6 million for road projects.

Further information on the Commonwealth's 2008-09 *Economic Stimulus Plan* grants received by the State are included in Chapter 7 (Fiscal Stimulus Packages and Grants) of this report.

4.2.5 Financial Report for the State of Victoria – analysis of end of year revenue outcomes with prior year actuals

The Committee noted that the Government, when commenting on revenue variations concerning outcomes for the State of Victoria in its end of year Financial Report for the State of Victoria, provided limited discussion and analysis on the revenue outcomes, including comparison with prior year actuals, for revenue generated by the public non-financial corporations and public financial corporations sectors.

The Committee maintains that a greater level of analysis on the State of Victoria revenue outcomes, in addition to that already provided for the general government sector, would be useful in the Financial Report for the State of Victoria.

Recommendation 6: **As the Government's end of year Financial Report for the State of Victoria constitutes the Government's key accountability document for the management and stewardship of the State's finances, the Department of Treasury and Finance consider providing a more detailed discussion and analysis on the revenue outcomes for the State of Victoria.**

4.2.6 Accuracy of revenue estimation

The Committee noted that in relation to the Department of Treasury and Finance's output measure *'Accuracy of estimating State taxation revenue'*, the target for equal to or less than 5.0 per cent accuracy was exceeded in 2008-09. Against an initial estimate of $14,052.8 million, actual taxation revenue and income tax equivalent revenue for the year amounted to $13,117.3 million (see Table 4.1), a decrease of 6.7 per cent.[70]

Given that the variance was due to the impact of the global financial crisis on land transfer duty revenue and income tax equivalent revenue, the Committee was interested in determining whether the Department had implemented any strategies to further improve the accuracy of taxation revenue forecasting procedures in the future.

70 Department of Treasury and Finance, *2008-09 Annual Report*, October 2009, p.20

Information supplied by the Department indicated that:[71]

> *DTF will continue to regularly review both its forecasting procedures and forecast performance to identify improvement opportunities. The Department maintains a work program aimed at updating and improving its forecast methodology and procedures. Incorporating developments in economic literature and forecasting/ modelling techniques, improving the range and accessibility of relevant data, and improved liaison with interstate counterparts and external parties are some of the means through which the Department aims to improve its forecast performance.*

4.3. Revenue foregone

Each year, the Government presents commentary in the annual budget papers on the expected financial impact of revenue foregone initiatives such as exemption thresholds, concessions, subsidies and other reductions in revenue announced in the budget.

The budget papers provide commentary on tax relief from two perspectives, tax expenditures and revenue concessions.

4.3.1 Tax expenditures managed by the Department of Treasury and Finance

Tax expenditures are defined as tax concessions granted to certain taxpayers, activities or assets, which are a deviation from the normal taxation treatment. This includes tax free thresholds and can also take the form of exempting or applying a lower rate, deductions or rebate of a tax for a certain class of taxpayer, activity or asset.[72]

The Department of Treasury and Finance has major responsibility for the administration of tax expenditures with most managed through the State Revenue Office.

The 2008-09 budget delivered the following tax relief measures:[73]

- **land tax** – an upward adjustment to land tax thresholds of approximately 10 per cent; reducing the top land tax rate from 2.5 per cent to 2.25 per cent; and extending the current land tax exemption for aged care facilities, supported residential care services and rooming houses to include facilities which cater for young people with disabilities ($122.3 million benefit, 2008-09);
- **land transfer duty**– reduction of approximately 10 per cent to all stamp duty on land transfer thresholds; targeted assistance to first homebuyers by enabling them to receive both the First Home Bonus and principal place of residence concession for the first time; two new specific exemptions for homes transferred into special disability trusts and a corporate reconstruction exemption to provide relief to listed property trusts ($149.5 million benefit, 2008-09);
- **payroll tax** – reduce the payroll tax rate to 4.95 per cent, effective 1 July 2008 ($36.6 million benefit, 2008-09).

The above initiatives were aimed at benefiting taxpayers by $308.4 million in 2008-09.

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71 Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 10 December 2009, p.11

72 Department of Treasury and Finance, Budget Paper No. 4: *Statement of Finances,* 2008-09, p.207

73 Department of Treasury and Finance, Budget Paper No. 2: *Strategy and Outlook,* 2008-09, pp.42-43

A review of the information contained in the budget papers showed that the estimated tax expenditures that could be costed (including thresholds) for 2008-09 totalled $4.6 billion compared to the prior year estimate of $4.2 billion, an increase of $0.4 billion or 9.5 per cent. The largest components of these estimated tax expenditures comprised Land Tax exemptions (estimated at $1.6 billion in total with the main categories within this item comprising $589 million for principal place of residence, $235 million in relation to land used for primary production, $160 million in relation to Crown Property, $152 million in relation to Commonwealth land and $149 million in relation to land vested in a public statutory authority) and Payroll Tax exemptions (estimated at $2.6 billion with the main items relating to employers payroll below the $550,000 threshold of $1.9 billion, wages paid at public hospitals and by public benevolent institutions/charities of $226 million and $211 million respectively).[74]

The Committee requested the Department of Treasury and Finance to provide an itemised schedule of tax expenditures in the form of tax concessions actually granted in 2008-09 compared to the budget and the actual tax relief granted in 2007-08, including the number of taxpayers affected. Information provided to the Committee by the Department of Treasury and Finance is set out below in Tables 4.4 and 4.5.

A schedule of tax expenditures in the form of tax concessions is presented in Table 4.4.

74 Department of Treasury and Finance, Budget Paper No. 4: *Statement of Finances,* 2008-09, pp.209-210

Table 4.4: Tax expenditures (excluding thresholds) by type of tax

Description	2007-08 Estimate[a] ($ million)	2008-09 Budget[b] ($ million)	2008-09 Estimate[c] ($ million)	Comparison of 2008-09 Estimate to 2007-08 Estimate ($ million)	Comparison of 2008-09 Estimate to 2007-08 Estimate (per cent)	Comparison of 2008-09 Estimate to 2008-09 Budget ($ million)	Comparison of 2008-09 Estimate to 2008-09 Budget (per cent)
Land tax	1,198	1,749	1,749	551	46.1	0	0.0
Payroll tax	730	757	749	19	2.6	-8	-1.1
Gambling tax	76	77	79	3	3.9	2	2.6
Motor vehicle taxes	75	78	78	3	4.0	0	0.0
Other stamp duties[d]	152	181	171	19	12.5	-10	-6.6
Congestion levy	41	33	31	-10	-24.4	-2	-6.1

Notes:

(a) From 2007-08 Budget Update: estimated outcome.

(b) From 2008-09 Budget estimated forecast.

(c) Latest estimated outcome (Budget Update 2009-10).

(d) Principally stamp duty on land transfer.

Sources: Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 10 December 2009, pp.31–2.

Table 4.5 presents the estimated number of units affected by tax concessions in 2007-08 and 2008-09. The Department of Treasury and Finance advised that data not available would be provided to the Committee when it becomes available.

Table 4.5: Tax expenditures: number of units affected

Description	2007-08	2008-09
Land tax [(a)]	n.y.a.	n.y.a.
Payroll tax [(b)]	1,892	1,967
Gaming levy [(c)]	269	268
Motor vehicle taxes [(d)]	808,710	820,065
Other stamp duties	27,167	47,938
Congestion levy [(e)]	25,932	23,513

Notes:

n.y.a. Not Yet Available

(a) Data on the number of taxpayers affected by tax concessions on land tax are not expected to be available until early 2010; obtaining these figures requires the employment of significant resources at the State Revenue Office.

(b) The number represents the 'Number of businesses' excluding thresholds.

(c) Number of clubs not paying the Community Support Fund levy.

(d) Number of vehicles for which owners received tax concessions. Due to the possibility of one owner owning more than one such vehicle (especially primary producers), the number of taxpayers is likely to be lower than the number of vehicles presented here.

(e) The Department advised the Committee that data for the congestion levy relates to the 2008 and 2009 calendar years as 'data for the number of spaces are only available on a calendar year basis.'

Source: Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 10 December 2009, p.32

In terms of explaining variances of over 10 per cent in individual tax concession items between the actual tax concessions/subsidies granted in 2008-09 compared to budget and that of the previous year, the Department of Treasury and Finance provided the following response to the Committee:[75]

- land tax concessions were 46 per cent higher in 2008-09 compared to 2007-08 due to higher property valuations being introduced in the 2009 land tax year (being the 2008-09 financial year);
- other stamp duties concessions were 12 per cent higher in 2008-09 compared to 2007-08. There was a reduction in transactions and revenue for duty on land transfers however in response to the first home buyer boost there was an increase in the transactions that qualified for the concessions in respect to principal place of residence and first home buyers; and
- Congestion Levy exemptions were lower in 2009 compared to 2008. Improved accuracy in the identification and reporting of parking spaces made available for short stay parking has resulted in a significantly lower estimate of the cost of the exemption provided for those spaces.

75 Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 10 December 2009, pp.32–3

4.3.2 Direct Concessions and subsidies

Concessions are a direct budget outlay or reduction in government charges that have the effect of reducing the price of a good or service for particular groups. Certain characteristics of the consumer, such as possession of a Commonwealth pension card or a health care card, are the basis for entitlement. Concessions allow certain groups in the community to access and/or purchase important amenities like energy, health and transportation at a cheaper rate or zero cost.[76]

The budget papers indicate that concessions in 2008-09 had an estimated value of $1.3 billion (compared with an equivalent estimate in 2007-08 of $1.2 billion) and were categorised as follows in Table 4.6.

Table 4.6: Estimated concessions by category – 2007-08 and 2008-09

Concession category	2007-08 Estimate (revised) ($ million)	2008-09 Estimate ($ million)
Energy, municipal rates, water and sewerage	281	309
Education	188	200
Health	486	506
Hardship assistance	21	22
Transport	249	258
Total Estimate	**1,225**	**1,294**

Source: Department of Treasury and Finance, Budget Paper No. 4, Statement of Finances, 2008-09, p.213

Information provided to the Committee in response to a request for an itemised schedule of concessions and subsidies provided by Departments and agencies in 2008-09, including the number of concessions and subsidies in each category, is presented below. This information also includes a variance analysis and comment on the achievement of anticipated outcomes from the granting of concessions and subsidies. This information is presented for those agencies that have a key role in providing concessions and subsidies, namely the Department of Human Services, Department of Transport, including VicRoads, Department of Treasury and Finance and Department of Justice including Victoria Police.

76 Department of Treasury and Finance, Budget Paper No. 4: *Statement of Finances,* 2008-09, p.212

Table 4.7: Department of Human Services Revenue concessions impacting on households: 2008-09 compared to 2007-08

Concession Type	2007-08 Number of concessions (households – unless otherwise stated)	2008-09 Number of concessions (households – unless otherwise stated)	Variance (%)	2007-08 ($ million)	2008-09 ($ million)	Variance (%) [(a)]
Utility Relief Grants (*grants)	9,139	15,415	68.7	3.01	5.49	82.4
Home Wise (*grants)	2,729	16,877	518.4	2.18	16.87	673.9
Mains Electricity Concessions	739,734	747,346	1.0	59.92	66.00	10.1
Mains Gas Concessions	563,479	558,630	-0.9	44.50	43.07	-3.2
Non-Mains Energy Concessions	19,534	20,752	6.2	2.09	2.59	23.9
Municipal Council Rates	425,918	405,931	-4.7	71.53	75.61	5.7
Water and Sewerage Charges	642,345	670,377	4.4	83.15	96.32	15.8
Trustee Services	N/A	N/A	N/A	15.16	15.88	4.7
Sewerage Connection Assistance Scheme (*grants)	73	66	-9.6	0.35	0.33	-5.7
Social and Community Services	N/A	N/A	N/A	5.55	6.92	24.7
Buying Service	N/A	N/A	N/A	0.08	0.11	37.5
Carted Water Rebate	835	1,377	64.9	0.1	0.16	60.0
Ambulance Community Service Obligation (CSO)		382,746		280.6	312.0	11.2

Note:

(a) Comparison of 2008-09 actual to 2007-08 actual included by the Public Accounts and Estimates Committee.

Source: Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 18 January 2010, p.28

Department of Human Services

Table 4.7 above outlines information provided to the Committee by the Department of Human Services regarding the number of concessions and subsidies provided in 2008-09 compared to 2007-08 according to concession type as well as the value of concessions granted.

Variances greater than 10 per cent were due to the following factors as explained by the Department:[77]

- Utility Relief Grants – 2008-09 grants increased by 82.4 per cent due to increased demand for electricity, gas and water utility relief grants.
- Home Wise – 2008-09 grants increased by 673.9 per cent reflecting greater demand in 2008-09 for the Home Wise Program.
- Mains Electricity Concessions – 2008-09 expenditure increased by 10.1 per cent relating to increased demand for Winter Energy Concessions for mains electricity.
- Non-Mains Energy Concessions – 2008-09 expenditure increased by 23.9 per cent due to the revision of the existing pricing schedule for rebates in 2008-09, to more effectively address the needs of those concession card holders who are dependent on non-mains energy.
- Water and Sewerage Charges – 2008-09 expenditure increased by 15.8 per cent due to increased water and sewerage prices across metropolitan and regional water authorities in 2008-09. The concessions cap was increased by 14.8 per cent plus CPI effective from 1 July 2008.
- Social and Community Services – 2008-09 expenditure increased by 24.7 per cent reflecting increased demand for charity freight services and costs associated with the bushfire relief effort in 2008-09.
- Buying Service – 2008-09 expenditure increased by 37.5 per cent reflecting additional investment in the Good Shepherd Buying Service in 2008-09, to assist with an increase in the number of referrals.

With regards to achieving planned outcomes, the Department informed the Committee that concessions are entitlements-based programs designed to assist low-income earners in Victoria to access and afford essential services.[78]

77 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 18 January 2010, p.28

78 ibid.

Department of Transport

Table 4.8 sets out an itemised schedule of payments involved in the following concession and subsidy arrangements handled by the Department:[79]

- Public Transport Concessions;
- Multi Purpose Taxi Program; and
- Freight Subsidy.

Table 4.8: Department of Transport Concession and Subsidy payment: 2008-09 payments compared to the prior year and 2008-09 budget

Concession / Subsidy	2007-08 Actual ($ million)	2008-09 Budget ($ million)	2008-09 Actual ($ million)	Variance[(b)] (per cent)
Public Transport[(a)]	189.3	n/a	212	12
Multi Purpose Taxi Program	42.2	43.7	44.8	6.2
Rail Freight Support	0.8	10.7	6.7	737.5

Notes:

(a) The Public Transport concession/subsidy total includes V/Line, $16.8 million (2007-08 Actual) and $19.9 million (2008-09 Actual).

(b) Comparison of 2008-09 actual to 2007-08 actual included by the Public Accounts and Estimates Committee.

Source: Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 15 April 2010, p.31

In relation to the public transport concessions, the increase from 2007-08 to 2008-09 is primarily due to the increase in patronage and fares in the period. With regards to the Rail Freight Support subsidy, the increase reflects the expansion in the program. Expenditure in 2008-09 was lower than budgeted due to the impact of the drought on the grain harvest for the year.[80]

VicRoads

VicRoads administers the collection of certain fees, licences and duties on behalf of the Victorian Government and Transport Accident Commission.[81]

The Department states that pensioner, health care and Department of Veterans' Affairs gold cardholders receive a 50 per cent concession on their motor vehicle registration fee. Pensioner concession cardholders and Department of Veterans' Affairs gold cardholders also receive a 50 per cent discount on compulsory third party insurance.[82]

79 Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 15 April 2010, p.31

80 ibid., p.32

81 ibid.

82 ibid.

During 2008-09, the net revenue foregone from collections on behalf of the:

- Victorian Government in respect of registration fees totalled $65.7 million compared with $60 million in the previous year;
- Victorian Government in respect of registration fees relating to farmer light vehicles and charity benevolent organisations totalled $5.7 million;
- Victorian Government in respect of driver licence rewards totalled $3.8 million; and
- Transport Accident Commission totalled $108.9 million compared with $100.7 million in the previous year.[83]

With regard to outcomes, the Committee was informed by the Department that:[84]

- public transport concessions continues to ensure that services remain affordable for lower income groups, including students, Health Care Card holders and pensioners;
- the Multi Purpose Taxi Program continues to ensure that subsidised taxi transport is available to all Victorians with severe and permanent disabilities who are unable to access public transport;
- the Rail Freight Support Package provides a rebate on rail access fees to ensure that rail freight is a viable alternative to road freight; and
- VicRoads administers the concessions on behalf of the Victorian Government and the Transport Accident Commission with the expectation of providing these discounts as a service to the community.

Department of Treasury and Finance

Table 4.9 provides a comparison of the number and value of various subsidies made by the Department of Treasury and Finance in 2008-09 compared to the previous year.

83 ibid.

84 ibid., p.31–2

Table 4.9: Department of Treasury and Finance Number and value of subsidies 2008-09 compared to 2007-08

Subsidies	2008-09 Actual ($ million)	2007-08 Actual ($ million)	Variance (per cent)[(b)]
Liquor Subsidies[(a)]	2.8	3.1	-10.5
Petroleum Subsidies	-	2.7	-100.0
Duty Exemptions – Pensioner and First Home Buyer	9.4	11.8	-20.3

Notes:

(a) Under section 177 (2) of the Liquor Control Reform Act of 1988, the State makes payments to persons who hold or have held licences (whether granted under the law of Victoria or of another State or Territory) relating to the sale of liquor in which taxes have been paid to the Commonwealth.

The Federal Government has announced modifications to the Wine Equalisation Tax (WET) rebate effective from October 1, 2004. Under these arrangements the Federal Government will provide wine producers with a WET rebate of up to $1 million each year.

The Victorian Government will continue to pay a cellar door subsidy on eligible cellar door sales once the $1 million Federal Government rebate has been exceeded.

(b) Comparison of 2008-09 actual value of subsidies to prior year actual included by the Public Accounts and Estimates Committee.

Source: Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Clarification Questions, 15 April 2010 15 April 2010, p.5-6

In terms of explaining variances of more than 10 per cent, the Department advised that with regard to the petroleum subsidies, as part of the Government's 2007-08 State Budget it was announced that the fuel subsidies paid to oil companies would be abolished and that funding from these subsidies would be redirected towards reductions in motor vehicle duty rates. In accordance with this announcement, the State Revenue Office has ceased the payment of the fuel subsidy effective from 1 July 2007.[85]

Department of Justice

Table 4.10 discloses a summary of revenue foregone that arose from concessions granted by the Department of Justice in 2007-08 and 2008-09 in relation to 'Working with Children' checks.

Table 4.10: Department of Justice Concessions 'Working with Children' checks 2007-08 and 2008-09

Source of Revenue	2007-08 Revenue foregone ($ million)	Volunteer applications processed free of charge in 2007-08 (Number)	2008-09 Revenue foregone ($ million)	Volunteer applications processed free of charge in 2008-09 (Number)
Working with Children Check	8.3	115,684	6.8	91,856

Source: Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2009, p.36

85 Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Clarification Questions, received 15 April 2010, p5

As 'Working with Children' checks are cyclical in nature, once completed, the check is valid for five years. These checks commenced in 2005-06 with a range of categories phased over five years. Depending on the phasings of each of the categories processed, revenue foregone will vary between years and this explains the decrease in revenue foregone between 2007-08 and 2008-09.

With regards to outcomes, the Committee was informed by the Department that the objective of the Working with Children check is to continue to protect children when they participate in activities outside the home. Waiving the applicable fee for volunteers is a means of encouraging volunteers to carry out the check and ensure children are safeguarded. Given the large numbers of volunteers applying for the card, it is clear the expected outcomes from this fee waiver are being achieved.[86]

Victoria Police

Concessions granted by Victoria Police in 2008-09 are detailed in Table 4.11. The waiver policy applied by Victoria Police to the charging of fees for officiating at events staged in Victoria during 2008-09 resulted in a reduction in fees payable by organisers of $168,489 (30.6 per cent of estimated police charges were foregone).

Table 4.11: Victoria Police Concessions 2008-09

Name of Event	Estimated Police Charges	Waiver Amount	Charges Levied
	($)	($)	($)
Arthur's Seat Challenge 2008	940.70	-611.70	329.00
Aust Open Road Cycling Championships 2009	18,696.25	-9,346.25	9,350.00
Australian Cycling Grand Prix 2008	15,215.40	-5,725.40	9,490.00
Ballarat Cup 2008	4,766.40	-803.40	3,963.00
Bentleigh Festival 2009	1,986.00	-486.00	1,500.00
Berwick Annual Show 2009	5,941.40	-4,201.40	1,740.00
BMW Melbourne Caulfield Cup 2008	61,362.50	-9,900.00	51,462.50
Dandenong Agricultural Show 2008	7,490.80	-2,620.80	4,870.00
Doveton Show 2008	1,027.50	-619.40	408.10
E.J. Whitten Legends Game 2008	7,840.55	-7,056.55	784.00
E.J. Whitten Legends Game 2009	6,816.30	-6,116.30	700.00
Earthcore Global Carnival 2008	7,875.20	-355.20	7,540.00
Hanging Rock Australia Day Races 2009	1,717.50	-411.00	1,306.50
Hanging Rock New Year Day Races 2009	1,717.50	-217.50	1,500.00
Herald Sun Tour 2008	40,539.40	-4,054.40	36,485.00
Home Matches 2009	8,089.00	-1,155.32	6,933.68
Kabaddi Cup 2009	1,663.80	-1,413.80	250.00

86 Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2010, p.40

Name of Event	Estimated Police Charges	Waiver Amount	Charges Levied
	($)	($)	($)
Kyneton Cup 2008	7,084.80	-4,934.80	2,150.00
Melbourne Marathon 2008	28,049.25	-2,911.25	25,138.00
Melbourne to Ballarat Road Cycling Classic 2008	3,401.30	-2,481.30	920.00
Philippine Festival 2008	4,436.80	-436.80	4,000.00
Port Fairy Folk Festival 2009	8,044.00	-1,204.00	6,840.00
Robinvale 80 Ski Race 2009	6,674.00	-6,000.00	674.00
Scott Peoples Memorial Race 2008	7,989.80	-3,289.80	4,700.00
Sinhala & Tamil New Year Festival 2009	7,342.40	-6,242.40	1,100.00
South Melbourne Football Club v Altona Magic 2008	1,229.10	-307.28	921.82
South Melbourne Football Club v Knights 2008	5,785.60	-1,446.40	4,339.20
Springvale Lunar New Year Festival 2009	14,027.00	-10,721.60	3,305.40
Springvale White Eagles v St. Albans 2008	2,098.50	-1,618.50	480.00
St Kilda Festival 2009	63,296.00	-28,496.00	34,800.00
The Frankston Cup 2008	1,055.50	-511.90	543.60
Tour of Gippsland Road Cycling Classic 2008	43,992.96	-36,926.40	7,066.56
Trade Union Races 2008	1,663.80	-807.40	856.40
Vietnamese Tet Festival 2009	5,366.40	-4,566.40	800.00
Werribee v Casey Scorpions 2008	1,109.20	-188.56	920.64
Werribee v Frankston 2008	1,109.20	-188.56	920.64
Werribee v Geelong 2008	794.40	-135.05	659.35
TOTAL	**408,236.21**	**-168,488.82**	**239,747.39**

Source: Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2010, p.38

To understand the basis and criteria used by Victoria Police for the granting of police waivers, the Department of Justice advised the Committee that:[87]

> *In determining the percentage of estimated police charges to be waived, various factors are considered, including the following:*
>
> - *Assessed benefit to local policing strategies;*
> - *Assessed economic and community benefits;*
> - *Estimated police costs as a percentage of the proposed event deficit;*
> - *Awareness of the User Pays policy and the need to budget for police costs;*
> - *Scope of the event to generate sufficient additional income to cover estimated police costs;*
> - *Ratio of controlled income (e.g. admission charges) compared with uncontrolled income (sponsorship);*
> - *Scope to reduce event expenses;*
> - *How the event deficit is to be funded.*

There were no individual waivers granted reflecting a variance of more than 10 per cent in value between the two years. The same number of actual waivers was granted in both years (37). The total amount in 2008-09 is significantly greater because:

- waivers for one event held in both 2007-08 and 2008-09 (E.J. Whitten Legends Game) were both granted in 2009; and
- waivers were granted for a total of five new events (not previous applicants for a waiver) and which attracted waivers with an actual value in excess of $5,000 (and two – Tour of Gippsland Road Cycle Classic and Springvale Lunar New Year Festival) in excess of $10,000). The quantum of those new waivers is unlikely to be repeated.[88]

To understand the desired outcomes to be achieved from the policy of granting waivers in relation to police charges, the Department again this year advised the Committee that:[89]

> *...partial waivers are considered where the imposition of total police costs may threaten the viability of the event/event organiser or of the event being held in Victoria. Inherent in the waiver policy is acceptance by event organisers of the user pays policy and the gradual reduction of waivers as event organisers budget for a greater share of the police costs.*

In terms of outcome achievement, the Department indicated that no events were cancelled or transferred interstate as a consequence of the Victoria Police User Pays policy for police at sporting and entertainment events.[90]

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87 Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – clarification questions, received 25 March 2010, p.7

88 Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2010, p.39

89 ibid., p.40

90 ibid., p.41

CHAPTER 5: STAFFING (PUBLIC SECTOR WORKFORCE)

Key findings of the Committee:

5.1 **In June 2009 the Victorian Public Sector provided employment for 258,507 staff, an increase of 4.7 per cent from June 2008 (246,844 staff). In full time equivalent (FTE) terms, in June 2009 the Victorian Public Sector provided employment for 207,306 FTE, an increase of 3.6 per cent from June 2008 (200,134 FTE).**

5.2 **Approximately one third of Victorian public sector employees work in the public health sector (32.6 per cent), while a further 25.9 per cent are employed by government schools. The Victorian Public Service, including the 10 departments and 18 authorities and offices, accounts for only 17.0 per cent of the Victorian public sector workforce. The largest increase in staff numbers, from 2007-08 to 2008-09, occurred in the TAFE and other education sector, where staff numbers rose by 8.3 per cent.**

5.3 **Departmental staff numbers (including the Department of Parliamentary Services and all school staff) increased from 81,644.4 FTE in June 2008 to 83,916.0 FTE in June 2009, an increase of 2.8per cent. This compares with the whole of government increase of 4.7 per cent for the same time period. For the same period, departmental staffing costs increased by $472.2 million (7.8 per cent). Given the various pay awards that cover staff included in this figure and the increase in FTE staff numbers, an overall increase in staff costs of 7.8 per cent across departments and school staff is not unexpected.**

5.4 **The single largest increase in staffing costs occurred in the Department of Education and Early Childhood Development where staff costs increased by $305 million. Further, staff costs within five departments, the Department of Innovation, Industry and Regional Development, the Department of Justice, the Department of Planning and Community Development, the Department of Sustainability and Environment and the Department of Transport increased by more than 10 per cent.**

5.5 **Bonus payments were made to 482 executives across the 10 departments, 76.4 per cent of total eligible executives. Total bonus payments amounted to $6.5 million at an average of $13,600 per executive.**

5.6 **Bonus payments were made to 798 executives across selected agencies, 95.3 per cent of total eligible executives. Total bonus payments amounted to $13.7 million at an average of $17,200 per executive. In particular, the Victorian Funds Management Corporation awarded an average performance bonus of $165,900 and Treasury Corporation of Victoria awarded an average performance bonus of $79,500.**

5.7 **Publicly available public sector executive bonus data is limited in scope. The Committee believes that good executive bonus data should include, as a minimum, three years of data showing:**

- **the number of executives eligible for a performance bonus;**
- **the number of executives awarded a performance bonus; and**
- **the total value of executive performance bonuses paid.**

5.8 **The Committee continues to advocate that a system of performance bonuses should be introduced into the Parliament for Clerk and other senior officers in order to improve accountability and performance standards.**

5.9 **The Committee is of the firm view that the performance bonus system for state agencies needs to be reviewed and brought into line with the bonus system for state departments.**

5.10 **Victorian Urban Development Authority awarded bonuses to executives where their performance was assessed as 'improvement required'. The Committee has recommended that the Government Sector Executive Remuneration Panel (GSERP) review and consider amending the GSERP policy for remuneration of executives in the broader public sector to explicitly prohibit the awarding of performance bonuses to executives where performance is assessed as not meeting expectations.**

5.11 **Contract expenditure within the 10 departments increased from $419.1 million in 2007-08 to $696.6 million in 2008-09, an increase of 66.2 per cent. The Department of Sustainability and Environment had the single largest increase at $154.3 million, which was primarily attributed to contract expenditure associated with the February 2009 'Black Saturday' bushfires.**

5.12 **Departments identified a total of 335 contractors or contract staff who were paid over $100,000 per annum that had been engaged for over 12 months. The two departments with the largest number were the Department of Human Services (112) and the Department of Transport (84).**

5.13 **Two departments and selected agencies do not undertake analysis of sick leave taken by quarter. Further, seventeen departments and selected agencies do not undertake analysis of sick leave taken by day of the week. This is primarily due to their current human resource information systems not readily being able to provide this level of information. The Committee has recommended that all departments and agencies should have the capacity to generate reports on sick leave from their human resource information systems to allow routine analysis of sick leave taken. This could assist in improving the management of sick leave through identifying sick leave trends and strategies being implemented to reduce the level of sick leave taken, where possible.**

5.14 **The Committee's analysis of sick leave found that the July–September quarter had the greatest level of sick leave taken by departments and agencies in both 2007-08 and 2008-09. This was followed by the April–June quarter with the second highest level of sick leave taken.**

5.15 Each department has various forms of succession planning strategies in place.

5.16 Departmental costs of delivering professional development, per FTE, varied significantly. The Department of Premier and Cabinet spent the most, per FTE, at $4,407, whereas the Department of Innovation, Industry and Regional Development spent the least at $135. Three other departments (the Department of Education and Early Childhood Development, the Department of Planning and Community Development and the Department of Treasury and Finance) had relatively low professional development costs, per FTE, with each of these departments spending less than $400.

5.17 Some departments advised that the costs of delivering professional development provided to the Committee were not inclusive of all professional development across the department, such as costs incurred for training delivered by individual divisions, as this data was not captured. The Committee has recommended that departments and agencies review their current processes for capturing the costs of delivering professional development and consider implementing enhanced processes that will facilitate the accurate and complete recording of all costs associated with the delivery of professional development.

5.1. Victorian public sector workforce overview

In June 2009 the Victorian Public Sector employed 258,507 staff, an increase of 4.7 per cent from June 2008 (246,844 staff). As many of these staff were employed on a part time basis, a more accurate measure of employment is full time equivalent (FTE) staff numbers. In June 2009, the number of FTE staff in the Victorian public sector was 207,306 FTE, an increase of 3.6 per cent from June 2008 (200,134 FTE).[9192]

Table 5.1 outlines that the largest increase occurred in the TAFE and other education sector. Significant increases were also identified in the Victorian Public Service (5.5 per cent) and water and land management (5.4 per cent) categories.

Table 5.1: Victorian public sector workforce – employees by sector (FTE)

	2009 Staff	2008 Staff	% change
Victorian public service	35,267	33,422	5.5
Government schools	53,744	52,881	1.6
TAFE and other education	12,184	11,247	8.3
Public health	67,629	65,432	3.4
Police and emergency services	18,567	17,982	3.3
Water and land management	7,208	6,836	5.4
Other	12,708	12,334	3.0
Total	**207,306**	**200,134**	**3.6**

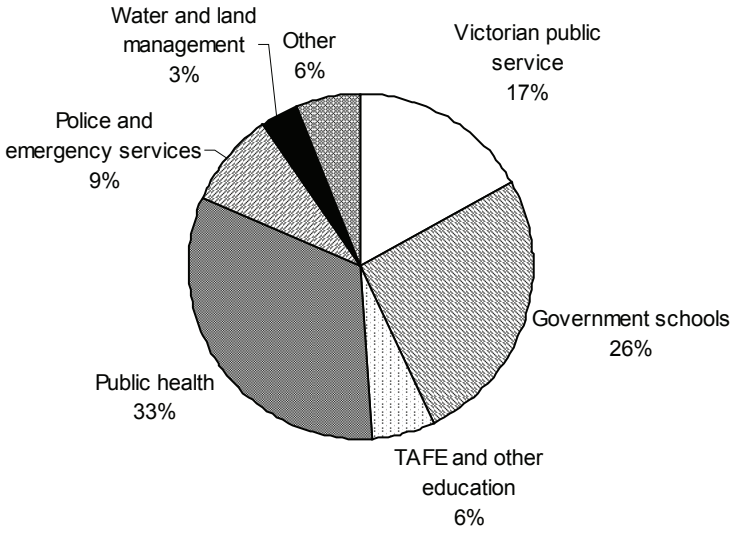
Sources: *State Services Authority, The State of the Public Sector in Victoria 2008-09, March 2010, pp.8–9; State Services Authority, The State of the Public Sector in Victoria 2008, February 2009, pp.14–15*

91 State Services Authority, *The State of the Public Sector in Victoria 2008-09,* March 2010, pp.8–9

92 State Services Authority, *The State of the Public Sector in Victoria 2007-08,* February 2009, pp.14–15

Approximately one third of the Victorian public sector employees work in the public health sector (32.6 per cent), while a further 25.9 per cent are employed by government schools. The Victorian Public Service (the bureaucracy) accounts for 17.0 per cent of the Victorian public sector workforce. The Victorian Public Service includes the 10 departments and 18 authorities and offices including the Essential Services Commission, Victorian Auditor-General's Office and the Environment Protection Authority among others. Figure 5.1 shows the distribution of employees across the major sectors of government.

Figure 5.1: Victorian public sector workforce – employees by sector



Source: State Services Authority, The State of the Public Sector in Victoria 2008-09, March 2010, pp.8–9

5.2. Staff costs and performance bonuses

The Committee requested details from departments and selected agencies on their full time equivalent (FTE) staff numbers at 30 June 2009 and staffing costs for the categories of ongoing, fixed term and casual staff for 2008-09 and 2007-08.

5.2.1 Staff numbers and staff costs in departments

Departmental staff numbers (including the Department of Parliamentary Services and all school staff) increased from 81,644.4 FTE in June 2008 to 83,916.0 FTE in June 2009, an increase of 2.8 per cent. For the same period, departmental staffing costs increased by $472.2 million (7.8 per cent).

As shown in Table 5.2 below, staff costs within five departments (the Department of Innovation, Industry and Regional Development, the Department of Justice, the Department of Planning and Community Development, the Department of Sustainability and Environment and the Department of Transport) increased by more than 10 per cent over the period. Explanations for the increases provided to the Committee by these departments were:

- the transfer of staff from Major Projects Victoria following the Machinery of Government changes (DIIRD);[93]
- the recruitment of additional positions resulting from new 2008-09 Budget initiatives;
- an increase in workload, in particular, the Bushfires Royal Commission, drove an increase in new appointments at the Victorian Government Solicitors Office (DOJ);[94] and
- increased staff overtime and penalty rate expenses associated with the February 2009 'Black Saturday' bushfires (DSE).[95]

Further, the single largest dollar increase in staff costs occurred in the Department of Education and Early Childhood Development, where staff costs increased by $305 million. However, this includes all school staff across the State, with the percentage increase in staff costs being the same as the average increase across all departments.

Table 5.2 details the staff numbers and costs for each department.

93 Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 15 December 2009, p.4

94 Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2009, p.8

95 Department of Sustainability and Environment, response to the Committee's 2008 09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.7

Table 5.2: Staff numbers and staff costs in departments

Department	Staff numbers at 30 June 2009 (FTE)	Staff numbers at 30 June 2008 (FTE)	Variance in staff numbers (%)	Staffing costs for 2008-09 ($ million)	Staffing costs for 2007-08 ($ million)	Variance in staffing costs (%)
Education and Early Childhood Development, including schools[a][b]	55,121.9	54,021.3	2.0	4,235.0	3,930.0	7.8
Human Services, excluding public hospitals	11,413.0	11,122.0	2.6	928.1	897.1[e]	3.5
Innovation, Industry and Regional Development	1,029.8	994.3	3.6	74.2	62.0	19.7
Justice, excluding Victoria Police[c]	7,387.4	6,827.7	8.2	522.1	469.1	11.3
Planning and Community Development	1,047.7	958.4	9.3	95.5	86.6	10.2
Premier and Cabinet	339.3	361.0	-6.0	29.6	33.2	-10.9
Primary Industries	2,410.3	2,574.6	-6.4	169.2	154.4	9.6
Sustainability and Environment	2,900.0	2,602.0	11.5	259.5	221.7	17.1
Transport	1,192.6	1,106.7	7.8	93.2	83.4	11.8
Treasury and Finance[d]	583.0	589.6	-1.1	61.7	61.6	0.2
Subtotal	**83,425.0**	**81,157.6**	**2.8**	**6,468.1**	**5,999.1**	**7.8**
Parliamentary departments	491.0	486.8	0.9	49.9	46.7	6.9
Total	**83,916.0**	**81,644.4**	**2.8**	**6,518.0**	**6,045.8**	**7.8**

Notes: (a) The Department of Education and Early Childhood Development advised the Committee that 'figures reported are indicative as the department does not maintain records in a manner which enables direct tracking of expenditure in these categories.'

(b) The Department of Education and Early Childhood Development (DEECD) staff numbers and staff costs include all schools due to DEECD's financial statements in their annual report consolidating the school staff balances with those of the department.

(c) The Department of Justice advised the Committee that its 'current human resources system is not designed to provide a precise breakdown of these figures' and that the figures submitted to the Committee provide 'an approximate breakdown of the total year split.'

(d) Figures for the Department of Treasury and Finance do not include the State Revenue Office, Essential Services Commission, CenITex or the Emergency Services Superannuation Board.

(e) The Department advised the Committee that 'historically an on-cost rate of 13% (of total gross) has been used. However for the 2008-09 series of responses internal advice from the Chief Financial Officer recommended a revised on-cost estimator of 19%. Therefore to ensure reliable comparisons, the 2007-08 gross level was also recalculated at 19% of total gross.'

Sources Department responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One.

5.2.2 Staff numbers and staff costs in selected agencies

The Committee has continued to gather information on staffing numbers and costs beyond departments to include a selection of agencies that are considered to have a significant financial and community impact.

At 30 June 2009, 68,880.8 FTE staff were employed across the 22 selected agencies, an increase of 3,194.8 (4.9 per cent) from 30 June 2008. The majority of staff, 57.6 per cent were employed in the eight largest public hospitals with a further 20.9 per cent employed by Victoria Police. Together they accounted for 78.5 per cent of FTE staff across the selected agencies. Five other agencies employed over 1,000 staff, being Roads Corporation, Metropolitan Fire and Emergency Services Board, Country Fire Authority, V/Line Passenger Corporation and Victorian Workcover Authority.

The majority of staff increases across the selected agencies occurred in the eight largest public hospitals, where staffing levels increased by 2,044 FTE staff.

The total staff costs for the selected agencies in 2008-09 were $5.4 billion, an increase of 9.4 per cent. The majority of this was accounted for by the eight largest public hospitals. Table 5.3 below shows that staffing costs in 14 agencies increased by more than 10 per cent with Port of Melbourne Corporation (40 per cent), Victorian Rail Track (23.1 per cent) and Victorian Funds Management Corporation (28.9 per cent) having the three largest percentage increases. These three agencies provided the Committee with the following information explaining the significant increase in staff costs:

- *Port of Melbourne Corporation*[96] *– $8.9 million adjustment to recognise the increase in liability for the Port of Melbourne Defined Benefit Super Fund. This was a result of the low government bond rate and the downturn in the investment market.*

- *Victorian Rail Track (VicTrack)*[97] *– growth in staff numbers attributed to VicTrack's growth in the telecommunications business as a result of an increase in project delivery and services required by customers.*

- *Victorian Funds Management Corporation (VFMC)*[98, 99]*:*

  - *during the year there were 15 new starters, 7 redundancy payments and 5 staff resigned. As a result of increased headcount, VFMC incurred additional recruitment costs and termination payments;*

  - *while staff numbers increased by three between 30 June 2008 and 30 June 2009, this comprised an increase of seven full time staff and a decline of four part time staff;*

96 Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 9 December 2009, p.12

97 ibid.

98 Victorian Funds Management Corporation, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 10 December 2009, p.3

99 Victorian Funds Management Corporation, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 12 February 2010, p.3

- *this was also a period during which VFMC was actively recruiting to build a first class asset management team and boost its in-house investment capabilities. To attract and retain people of the highest calibre, remuneration needs to be competitive with the broader investment management industry; and*

- *VFMC also recruited several experienced professionals within the client services area to improve the client focus.*

The Committee noted that staff costs per FTE varied significantly. The average cost across all agencies was $80,500, but varied between $65,200 and $175,700 from one agency to another.

Table 5.3 details the staff numbers and staff costs for selected agencies.

Table 5.3: Staff numbers and staff costs in selected agencies

Agency	Staff numbers at 30 June 2009 (FTE)	Staff numbers at 30 June 2008 (FTE)	Variance in staff numbers (%)	Staff costs for 2008-09 ($ million)	Staff costs for 2007-08 ($ million)	Variance in staffing costs (%)	Average staff costs per FTE ($)
Public hospitals[a]	38,668.8	36,537.6	5.8	3,148.2	2,871.3	9.6	81,600
Port of Melbourne Corporation	188.0	173.2	8.5	32.9	23.5	40.0	175,000
Roads Corporation[b]	3,039.0	2,775.0	9.5	198.0	176.0	12.5	65,200
Victorian Rail Track	196.0	159.8	22.7	19.7	16.0	23.1	100,500
V/Line Passenger Corporation	1,367.0	1,292.0	5.8	135.7	118.8	14.2	99,300
Victoria Police[c]	13,987.1	13,815.4	1.2	979.9	923.4	6.1	70,100
Metropolitan Fire and Emergency Services Board	2,011.5	1,967.5	2.2	168.3	158.3	6.3	83,700
Country Fire Authority	1,481.5	1,398.0	6.0	125.9	112.3	12.1	85,000
Victorian Urban Development Authority	227.0	213.0	6.6	27.2	24.5	11.0	119,800
National Gallery of Victoria	276.8	271.9	1.8	18.4	17.5	5.2	66,500
Victorian Energy Networks Corporation	131.0	113.0	15.9	9.9	9.1	8.8	75,200
Barwon Region Water Corporation	370.4	357.1	3.7	28.8	25.1	14.7	77,600
Goulburn–Murray Rural Water Corporation[d]	702.0	659.9	6.4	64.7	59.2	9.3	92,100
Melbourne Water Corporation	779.1	708.2	10.0	65.4	60.9	7.4	83,900
Parks Victoria[e]	969.9	971.9	-0.8	82.3	73.1	12.6	84,800
City West Water Limited	304.4	256.9	18.5	26.0	22.7	14.5	85,300
Rural Finance Corporation	108.6	95.2	14.1	7.7	7.0	10.1	71,100
South East Water Limited	524.3	455.6	15.1	40.0	34.6	15.6	76,300
Transport Accident Commission	745.9	794.5	-6.1	78.2	78.8	-0.8	104,800

Agency	Staff numbers at 30 June 2009 (FTE)	Staff numbers at 30 June 2008 (FTE)	Variance in staff numbers (%)	Staff costs for 2008-09 ($ million)	Staff costs for 2007-08 ($ million)	Variance in staffing costs (%)	Average staff costs per FTE ($)
Treasury Corporation of Victoria	50.8	53.9	-5.8	6.8	6.6	2.9	133,800
Victorian Managed Insurance Authority	111.8	105.3	6.2	13.0	11.5	13.3	116,300
Victorian Workcover Authority	1,121.0	1,046.2	7.1	119.9	104.3	15.0	106,900
Victorian Funds Management Corporation[f]	68.2	64.8	5.2	12.0	9.3	28.9	175,700
Yarra Valley Water Limited	450.7	410.1	9.9	34.1	30.1	13.3	75,600
Total	**67,880.8**	**64,696.0**	**4.9**	**5,443.0**	**4,973.9**	**9.4**	**80,500**

Notes:

(a) These figures include the following public hospitals selected by the Committee: Alfred (Bayside) Health, Austin Health, Barwon Health, Eastern Health, Melbourne Health, Royal Children's Hospital, Southern Health and Western Health.

(b) Roads Corporation advised the Committee that the salary costs reported in the 2007-08 Outcomes report differ from those reported this year as this year's figures are based solely on salary costs and do not include payroll tax, superannuation, agency costs, bonuses and Workcover costs.

(c) The Department of Justice advised the Committee that 'the calculation methodology used for gross salaries more accurately captures all salary expenditure in this year's report when compared to last year's report.' The salaries data presented in this table have been adjusted from those presented in the 2007-08 Outcomes report.

(d) Goulburn-Murray Rural Water Corporation advised the Committee that the 2007-08 salary costs figure reported in last year's Financial and Performance Outcomes Report 'did not take into account superannuation, payroll tax and work cover expenses. These expenses have been included into the increased figure of $59.2 million in this years questionnaire. The 2008-09 figures also include these amounts so they provide a relevant comparative.'

(e) Parks Victoria advised the Committee that the salary costs reported in the 2007-08 Outcomes report was incorrect as it 'incorrectly excluded salary expenses relating to employees that terminated their employment with Parks Victoria during the 2007-08 year.' The salaries data presented in this table have been adjusted from those presented in the 2007-08 Outcomes report.

(f) The Victorian Funds Management Corporation advised the Committee that the 2007-08 salary costs figures reported in last year's Financial and Performance Outcomes Report differed to that contained in the response to the 2008-09 questionnaire because they 'undertook a review of what items should be included in salaries. As a result of this review we felt it was more appropriate to include salary related benefits such as FBT payments, motor vehicle fringe benefits, living away from home allowances as well as the fees paid to contract staff.'

Sources: Department and agency responses to the Public Accounts and Estimates Committee Financial and Performance Outcomes Questionnaire – Part One and additional information provided by the Department of Justice.

5.2.3 Performance bonuses in government departments

The Committee has once again continued its interest in, and analysis of, performance bonuses paid to executives within departments and selected government agencies.

Overall bonus payments were made to 482 executives across the 10 departments, 76.4 per cent of eligible executives. Total bonus payments amounted to $6.5 million at an average of $13,600 per executive.

The Committee has split the executives into a Senior Management group, which includes Secretaries, CEOs, EO1 and EO2 executives, and an Other Executives group, which includes EO3 executives and all other executive staff.

Senior Management (includes Secretary, CEO, EO1 and EO2 grades)

In total 280 Senior Management executives were eligible for a performance bonus in 2008-09 and 224 (80 per cent) were awarded bonuses. These bonuses totalled $4.0 million with the average bonus paid being $18,000.

The total value of performance bonuses awarded to Senior Management executives increased by 27.7 per cent and the average bonus increased by 15.4 per cent in 2008-09. However, the number of Senior Management executives awarded bonuses decreased by 2.5 per cent. The largest increases in the total value of bonuses were observed in the Department of Education and Early Childhood Development (50.9 per cent), Department of Innovation, Industry and Regional Development (44.7 per cent) and Department of Transport (33.3 per cent).

Full details of bonuses paid by each department are contained in Table 5.4.

In its *Report on the 2007-08 Financial and Performance Outcomes*, the Committee recommended that:[100]

> *...the Department of Treasury and Finance consider amending the financial reporting disclosure requirements for government departments in regard to annual performance bonuses paid to executives to include a minimum of three years of data showing the number of executives eligible for a performance bonus, the number of executives awarded a performance bonus, and the total value of executive performance bonuses paid.*

In response the Government rejected the recommendation as:[101]

> *Information on the payment of performance bonuses to executives in the Victorian public sector is currently provided to the Public Accounts and Estimates Committee (PAEC) by departments and published by PAEC in its reports on financial and performance outcomes, which are tabled in Parliament on an annual basis. This is considered to be the most appropriate mechanism for reporting this information.*

100 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes,* May 2009, recommendation 10, p.111

101 Victorian Government, response to the Committee's *Report on the 2007-08 Financial and Performance Outcomes*, 9 November 2009, p.9

The Committee reiterates its position from the 2007-08 Financial and Performance Outcomes report on the publication of executive performance bonus data that enables trends to be identified, and the resultant accountability of departments and agencies to Parliament and the general public.

Recommendation 7: **The Department of Treasury and Finance amend the financial reporting disclosure requirements for government departments and agencies in regard to annual performance bonuses paid to executives to include a minimum of three years of data showing the number of executives eligible for a performance bonus, the number of executives awarded a performance bonus, and the total value of executive performance bonuses paid.**

The Committee in its *Report on the 2006-07 Financial and Performance Outcomes* recommended that: [102]

> *...the Department of Parliamentary Services consider introducing a system for awarding performance related incentive payments to its executives in line with the practices that apply to executives in government agencies.*

This has not been supported by the Presiding Officers. The Committee believes that the introduction of such a system will enhance accountability and performance standards.

Recommendation 8: **The Parliamentary Departments introduce a system for awarding performance bonuses to its executives in line with the practices that apply to executives in government departments and agencies.**

Other Executives (includes EO3 grade and other executives)

In total, 351 Other Executives were eligible for a performance bonus in 2008-09 and 258 (73.5 per cent) were awarded bonuses. These bonuses totalled $2.5 million with the average bonus paid being $9,700. Full details of bonuses paid by each department are contained in Table 5.4.

While the overall changes in Other Executives performance bonuses in 2008-09 were far less significant than with the Senior Management executives, there are some individual changes worth noting:

- the Department of Education and Early Childhood Development decreased its overall bonus payment, for the second straight year, by 20.7 per cent, from $158,700 to $125,800;
- the Department of Sustainability and Environment made bonus payments to 57.7 per cent of eligible Other Executives, a decrease of 16.3 per cent; and
- the Department of Treasury and Finance decreased its overall bonus payment by 19.8 per cent, from $534,500 to $428,500 and in doing so decreased its average bonus awarded by 25.2 per cent from $11,900 to $8,900. However, the department increased by 11 per cent the number of eligible Other Executives who were awarded a bonus.

102 Public Accounts and Estimates Committee, *Report on the 2006-07 Financial and Performance Outcomes*, May 2008, recommendation 36, p.279

Table 5.4: Departmental performance bonuses 2008-09

Department	Number eligible 2008-09	Number awarded 2008-09	Proportion awarded 2008-09 (%)	Proportion awarded 2007-08 (%)	Total 2008-09 ($)	Total 2007-08 ($)	Average 2008-09 ($)	Average 2007-08 ($)	Average % variation 2007-08 to 2008-09
Secretary or CEO, EO1 – Deputy and EO2									
Education and Early Childhood Development	45	39	86.7	84.2	713,000	472,500	18,300	14,800	23.6
Human Services	50	44	88.0	93.2	717,600	607,300	16,300	14,800	10.1
Innovation, Industry and Regional Development	24	19	79.2	66.7	256,900	177,500	13,500	14,800	-8.8
Justice[(a)]	29	23	79.3	91.7	428,100	352,700	18,600	16,000	16.3
Planning and Community Development	17	11	64.7	66.7	230,000	195,600	20,900	19,600	6.6
Premier and Cabinet	19	15	78.9	82.4	291,900	226,200	19,500	16,200	20.4
Primary Industries	14	12	85.7	75.0	228,500	178,600	19,000	19,800	-4.0
Sustainability and Environment	23	16	69.6	89.5	255,900	245,100	16,000	14,400	11.1
Transport	31	20	64.5	73.5	400,000	300,000	20,000	12,000	66.7
Treasury and Finance[(b)]	28	25	89.3	84.0	515,700	407,100	20,600	19,400	6.2
Parliamentary departments[(c)]	0	0	0	0	0	0	0	0	0.0
Total	**280**	**224**	**80.0**	**82.5**	**4,037,600**	**3,162,600**	**18,000**	**15,600**	**15.4**
Other Executives									
Education and Early Childhood Development	23	13	56.5	64.0	125,800	158,700	9,700	9,900	-2.0
Human Services	76	54	71.0	66.2	509,300	436,300	9,400	9,300	1.1
Innovation, Industry and Regional Development	44	30	68.2	80.0	232,800	231,700	7,800	7,200	8.3
Justice [(a)]	38	27	71.1	69.0	350,700	303,100	13,000	10,500	23.8

Department	Number eligible 2008-09	Number awarded 2008-09	Proportion awarded 2008-09 (%)	Proportion awarded 2007-08 (%)	Total 2008-09 ($)	Total 2007-08 ($)	Average 2008-09 ($)	Average 2007-08 ($)	Average % variation 2007-08 to 2008-09
Planning and Community Development	23	19	82.6	81.8	176,000	163,600	9,300	9,100	2.2
Premier and Cabinet	16	14	87.5	94.1	176,400	150,300	12,600	9,400	34.0
Primary Industries	17	14	82.4	75.0	157,200	137,600	11,200	11,500	-2.6
Sustainability and Environment	26	15	57.7	74.0	141,300	120,800	9,400	6,000	56.7
Transport	33	24	72.7	66.7	200,000	200,000	8,300	9,100	-8.8
Treasury and Finance [b]	55	48	87.3	76.3	428,500	534,500	8,900	11,900	-25.2
Parliamentary departments[c]	0	0	0.0	0.0	0	0	0	0	0.0
Total	**351**	**258**	**73.5**	**73.0**	**2,498,000**	**2,436,600**	**9,700**	**9,500**	**2.1**

Notes:

(a) figure includes the Victorian Commission for Gambling Regulation

(b) figure includes the State Revenue Office

(c) Executive Officers in Parliament are not eligible for performance pay or bonuses

Source: Department responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One

5.2.4 Performance bonuses in selected agencies

In total, 837 executives within the selected agencies were eligible for a performance bonus in 2008-09 and 798 (95.3 per cent) were awarded bonuses. These bonuses totalled $13.7 million with the average bonus paid being $17,200.

Full details of bonuses paid by each selected agency are contained in Table 5.5.

The Committee's review of the performance bonuses of executives in selected public sector agencies noted the following:

- thirteen agencies paid bonuses to all of their executives;
- Victorian Workcover Authority and Yarra Valley Water had the highest number of eligible executives at 122 and 121 respectively. These two agencies awarded bonuses to all of these executives;
- Victorian Rail Track awarded performance bonuses to 69.2 per cent of eligible executives, the lowest of all selected agencies; and
- a wide range of average performance bonuses were paid. Roads Corporation had the lowest average at $10,600 and Victorian Funds Management Corporation (VFMC) the largest average at $165,900. The Treasury Corporation of Victoria also had a large average performance bonus at $79,500.

The Committee is of the firm view that the performance bonus system in virtually all agencies appears to bear little relationship to performance, but seems to be more of a salary supplement. It beggars belief that 95.3 per cent of executives merited bonuses in agencies, while the comparable figure in departments was 80 per cent.

The Committee believes that the same system of awarding performance bonuses in government departments should apply in state agencies. A comprehensive review of the bonus system should be conducted by the Secretary of the Department of Premier and Cabinet with the assistance of the State Services Authority. Its conclusions should lead to change including, where necessary, by appropriate regulation or legislation.

Recommendation 9: **The Secretary of the Department of Premier and Cabinet with the assistance of the State Services Authority conduct a comprehensive review of the system of awarding performance bonuses. The conclusions from this review should lead to change including, where necessary, by appropriate regulation or legislation.**

The Committee noted that in October 2009 the government appointed Dr. Michael Vertigan to review the level of performance bonuses paid to VFMC executives during 2008-09. Dr. Vertigan reported back to the government in December 2009 with five recommendations as follows:[103]

- *That the applicability to VFMC of the provisions of the Public Administration Act 2004 and the policies and requirements of the Government Sector Executive Remuneration Panel (GSERP) be clarified;*

103 Department of Treasury and Finance, *Government Adopts Vertigan's Recommendations*, media release, 18 December 2009

- *That VFMC seek clarification of, and if necessary, approval for the extent to which they are entitled to exercise discretion to apply remuneration initiatives outside of the strict provisions of the approved framework in order to meet their objective of creating an Investment Centre of Excellence. Such discretion would include provision of guaranteed Short Term Incentive (STI) entitlements in the first year of employment and sign-on payments, should such a practice continue;*

- *The Department of Treasury and Finance establish a reporting framework which enables the application and implementation of the remuneration framework to be professionally monitored to ensure full transparency for the shareholder. The framework should be designed to ensure that areas where uncertainty exists or arises are discussed and resolved;*

- *The assessment of the STI be revised so that it fully conforms to the approved remuneration framework. This would require significant restructuring of the process/ Ideas Generation component. Alternatively, VFMC may seek an amendment to the approved structure to permit increased flexibility in the design of the STI; and*

- *The Rules for the Long Term Incentive Program (LTIP) be changed to remove carryover of out-performance in excess of two per cent in any period to a subsequent period.*

The Victorian Government announced that:[104]

> *...it would take action to implement all recommendations made by Dr Vertigan's review of the compensation framework in a move to ensure employees of the Victorian Funds Management Corporation (VFMC) received appropriate remuneration for the organisation's investment returns and performance.*

The Committee is concerned that the Victorian Urban Development Authority (VicUrban) awarded bonuses to executives where their performance was assessed as 'improvement required'. The Committee sought clarification from this agency on the rationale for awarding bonuses to executives who were assessed as 'improvement required'. This agency responded by advising the Committee that: [105]

> *...the payments were made in accordance with the formally established bonus structure. Employees can receive an overall assessment of 'improvement required' however receive higher ratings on elements of performance. The bonus eligibility criteria is currently under review.*

Recommendation 10: **The Government Sector Executive Remuneration Panel (GSERP) review and consider amending the GSERP policy for remuneration of executives in the broader public sector to explicitly prohibit the awarding of performance bonuses to executives where performance is assessed as not meeting expectations.**

104 ibid.

105 Victorian Urban Development Authority, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – clarification questions, received 22 April 2010, p.1

Table 5.5: Selected agencies performance bonuses 2008-09

Department	Number eligible 2008-09	Number awarded 2008-09	Proportion awarded 2008-09 (%)	Total 2008-09	Average 2008-09
Public Hospitals[(a)]	70	62	88.6	868,100	14,000
Victoria Police	17	11	64.7	86,600	7,900
Country Fire Authority[(b)]	29	28	96.6	322,500	11,500
Metropolitan Fire and Emergency Services Board	36	31	86.1	411,900	13,300
Victorian Urban Development Corporation	7	7	100.0	121,800	17,400
National Gallery of Victoria	5	5	100.0	64,100	12,800
Victorian Energy Networks Corporation	27	27	100.0	974,000	36,100
Barwon Region Water Corporation	10	10	100.0	151,800	15,200
Goulburn–Murray Rural Water Corporation	6	6	100.0	108,400	18,100
Melbourne Water Corporation	52	52	100.0	1,191,800	22,900
Parks Victoria	17	17	100.0	213,500	12,600
Port of Melbourne Corporation	34	34	100.0	900,000	26,500
Roads Corporation	72	66	91.7	700,000	10,600
Victorian Rail Track	13	9	69.2	110,000	12,200
V/Line Passenger Corporation	10	8	80.0	100,000	12,500
City West Water Limited	64	63	98.4	887,300	14,100
Rural Finance Corporation	8	7	87.5	143,200	20,500
South East Water Limited	8	8	100.0	274,900	34,400
Transport Accident Commission	63	60	95.2	1,141,500	19,000
Treasury Corporation of Victoria	7	7	100.0	556,700	79,500
Victorian Managed Insurance Authority	31	31	100.0	514,200	16,600
Victorian Funds Management Corporation	8	6	75.0	995,600	165,900
Victorian Workcover Authority	121	121	100.0	1,343,800	11,100
Yarra Valley Water Limited	122	122	100.0	1,535,200	12,600
Total (* Average)	**837**	**798**	**95.3***	**13,716,900**	**17,200**

Notes:

(a) These figures include the following public hospitals selected by the Committee: Alfred (Bayside) Health, Austin Health, Barwon Health, Eastern Health, Melbourne Health, Royal Children's Hospital, Southern Health and Western Health.

(b) The Country Fire Authority advised the Committee that at the time of providing a response to the questionnaire that one performance assessment was yet to be completed.

Source: Department and agency responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One

5.2.5 Relationship of bonuses to salaries for departments and selected agencies

Bonuses are generally paid to highly performing executive officers. The approach taken differs for executives in the Public Service and executives in the broader Public Sector.

Executive remuneration policies for Public Service executives are established in the *Executive Employment Handbook* prepared by the State Services Authority. Executive remuneration policies for Public Sector executives are administered by GSERP.

The *Executive Employment Handbook* indicates that bonuses are payable only to executive officers whose performance is rated at 3 or 4 in the four-level rating scale established in the handbook. Details of the rating scale are set out in Table 5.6.

Table 5.6: Rating scale for performance-related incentive payments made to executives in Government departments

Rating	Category	Bonus range (proportion of total remuneration package) (%)	Description
Rating 4	Exceptional	9–17	Exceeds the requirements of all criteria and far exceeds expectations in the more critical areas
Rating 3	Superior	0–8	Exceeds the requirements of most criteria
Rating 2	Competent	No bonus	Meets all or most criteria
Rating 1	Improvement required	No bonus	

Source: State Services Authority, Victorian Public Service Executive Employment Handbook, February 2010, p.33

The Committee examined the range of bonuses paid by departments in accordance with the *Executive Employment Handbook* policies. Specifically, the Committee looked at whether the actual range of bonuses paid, expressed as a percentage of the executive's remuneration package, was in accordance with the percentage spread of bonus allocations set out in the *Executive Employment Handbook.* The payments were generally in line with the bonus range identified in the handbook, however, two departments, Justice (8.6 per cent) and Treasury and Finance (10 per cent), awarded bonuses above the range to superior category executives. Table 5.7 shows the results of this analysis.

Table 5.7: Bonus range paid to department executives for 2008-09 performance assessment period

Department	Superior category bonus range of remuneration package		Exceptional category bonus range of remuneration package	
	(%)		(%)	
	Minimum	Maximum	Minimum	Maximum
Education and Early Childhood Development	0	7.25	10	14
Human Services	1	8	9	12
Innovation, Industry and Regional Development	0	8	9	10
Justice	0	8.6	10.25	11
Planning and Community Development	2	8	9	12
Premier and Cabinet	3	8	10	13
Primary Industries	3	8	9	11
Sustainability and Environment	3	8	9	17
Transport	3	8	9	13
Treasury and Finance	4	10	12	17

Source: Department responses to the Committee's 2008-09 Financial and Performance Outcomes Report Questionnaire – Part One.

The Committee also examined the range of bonuses paid by selected public sector agencies along with the approach taken to awarding performance bonuses. The Committee noted that many selected agencies awarded bonuses based on the *Executive Employment Handbook* or in accordance with the GSERP guidelines with a maximum bonus of 20 per cent of Total Remuneration Package. The Committee noted that two agencies (Treasury Corporation of Victoria and Victorian Funds Management Corporation) awarded bonuses above 20 per cent to executives. These agencies advised the Committee that they had approval from the State Services Authority to award performance bonuses outside of the GSERP policy guidelines due to the specialist skill sets required for staff in these agencies and the need to provide remuneration that is competitive in the market. Table 5.8 shows the results of this analysis.

Table 5.8: Bonus range paid to selected agency executives for 2008-09 performance assessment period

Agency	Proportion of Total Remuneration Package (TRP)		Approach for awarding bonuses
	Minimum	Maximum	
Public Hospitals[(a)]	0	20	Six of the eight selected public hospitals used the *Executive Employment Handbook*. The other two selected public hospitals (Alfred Health and Barwon Health) applied the Victoria Public Health Services Executive Remuneration Policy and the GSERP policy respectively.
Victoria Police	3	10	*Executive Employment Handbook.*
Country Fire Authority	5.2	11.85	Based on the GSERP guidelines.
Metropolitan Fire and Emergency Services Board	0	12	Executive Performance Management System to meet GSERP guidelines.
Victorian Urban Development Authority	2.4	9.6	Bonuses are structured so that there is a corporate performance component as well as an individual performance component. A corporate performance component was not paid for the 2008-09 financial year.
National Gallery of Victoria	0	8	*Executive Employment Handbook*.
Victorian Energy Networks Corporation	16	18.5	Eligible managers are assessed against three levels of performance contribution: i. corporate performance – 5 per cent ii. department performance – 5 per cent iii. personal performance – 10 per cent.
Barwon Region Water Corporation	5	15	*Executive Employment Handbook.*
Goulburn–Murray Rural Water Corporation	10	11	Developed on a procedure approved by the Remuneration Committee of the Board.
Melbourne Water Corporation	11.2	17.95	Bonuses include components for individual and organisational performance. The policy is consistent with Government Policy and Guidelines.
Parks Victoria	0	15	*Executive Employment Handbook.*
Roads Corporation	2	10	*Executive Employment Handbook.*
V/Line Passenger Corporation	2.5	15	Made up of two components: • review of performance against measurable and agreed performance targets or goals; and • review of leadership behaviours assessment for executive and direct reports to executive through a 360 degree process. For non-direct reports to executive, a 180 degree values assessment tool is used.
Port of Melbourne Corporation	0	20	Based on performance assessment by CEO and guided by recommendations of senior managers. CEO's bonus is determined by the Board.
Victorian Rail Track	0	20	Follows GSERP guidelines.
City West Water Limited	1.5	20	Follows GSERP guidelines.
Rural Finance Corporation	0	20	Based on GSERP guidelines.
South East Water Limited	15.7	16.9	Made up of two components: • individual leadership capability; and • contribution to agreed set of Corporate Performance measures.

Agency	Proportion of Total Remuneration Package (TRP)		Approach for awarding bonuses
	Minimum	Maximum	
Transport Accident Commission	0	20	Follows GSERP Guidelines. Executive bonuses are calculated in two parts: • TAC's performance against a Client Survey result (Client Satisfaction) and an Actuarial result (Financial Performance). Both these results are combined to provide a percentage for the bonus. • executive performance against individual KPIs. TAC management recommend a percentage for the bonus which is ratified by the Remuneration and People Committee.
Treasury Corporation of Victoria	20	40	Follows GSERP guidelines. Principal Officers received 20 per cent plus an additional 20 per cent for the performance period 1 January–30 June 2009 in accordance with the State Services Authority Agreement.
Victorian Funds Management Corporation	34	80	Staff performance is assessed against Key Performance Indicators (KPIs). KPIs for the CEO are set by the Board to ensure corporate objectives are met. The CEO's KPIs are then cascaded down through the organisation. They include fund performance targets, business and team targets. Managers evaluate employees' performance against these targets and all recommendations are evaluated by the CEO. The CEO submits all recommendations to the Remuneration Committee and ultimately the Board for review and final approval.
Victorian Managed Insurance Authority	7	20	Follows GSERP guidelines.
Victorian Workcover Authority	0	15	Based on *Executive Employment Handbook.*
Yarra Valley Water Limited	0	20	Depending on individual employment contracts, eligible employees are entitled to bonuses of up to 10, 15 or 20 per cent. Actual bonus amounts are calculated relative to overall achievement of pre-agreed KPIs in the areas of: • corporate goals and targets (shared by all); • group targets (shared by each group within the company); • project targets associated with achievement of milestones associated with the implementation / replacement of current billing systems; and • personal targets. The bonus paid relates directly to achievement of the employee's KPIs.

Note:

(a) These figures include the following public hospitals selected by the Committee: Alfred (Bayside) Health, Austin Health, Barwon Health, Eastern Health, Melbourne Health, Royal Children's Hospital, Southern Health and Western Health.

Source: Department and agency responses to the Committee's 2008-09 Financial and Performance Outcomes Report Questionnaire– Part One.

The Committee noted from Table 5.8 in particular the relatively high minimums and narrow spread of bonuses for the Victorian Energy Networks Corporation, Melbourne Water Corporation and South East Water Corporation. Each agency paid bonuses to every executive. The Committee believes that the arrangements used appear to provide limited scope for performance measurement and recommends each agency review their system.

5.3. Contractors

The Committee sought information from departments on the extent of use and value of contractors. Table 5.9 summarises the responses received by the Committee in respect of expenditure on contractors or contract staff in 2008-09 and 2007-08.

Table 5.9: Departmental contract costs for 2008-09 and 2007-08

Department	Value in 2008-09 ($ million)	Value in 2007-08 ($ million)	Variance (per cent)
Education and Early Childhood Development	11.5	10.6	8.5
Human Services[(a)]	103.9	79.8	30.2
Innovation, Industry and Regional Development[(b)]	67.2	33.6	100.0
Justice[(c)]	33.1	21.8	51.8
Planning and Community Development[(d)]	22.3	7.7	190.8
Premier and Cabinet	13.6	8.9	52.8
Primary Industries	63.2	45.2	39.8
Sustainability and Environment	320.3	166.0	93.0
Transport	25.7	21.4	20.1
Treasury and Finance	35.8	24.1	48.5
Total	**696.6**	**419.1**	**66.2**

Notes:

(a) The Department advised the Committee that the list provided may not be exhaustive as systems do not readily identify contractors that are charged, for example, directly to a project or capitalised.

(b) The Department advised the Committee that the total approved value is the amount approved by the Accredited Purchasing Unit and the relevant financial delegate to be expended for all contractors engaged in that year. This figure represents the cost of salaries and services in some cases over a number of years. The Department also advised that for short-term, temporary administrative work the procurement data for contractors below $100,000 is decentralised and not collected in an aggregate form.

(c) The Department advised the Committee that its mechanism for recording contract staff details also includes information about costs of recruitment service providers. Recruitment service providers are used for mass recruitment programs such as liquor licensing inspectors and sheriffs. As the Department's recording systems do not allow for the costs of these services to be filtered from the total contract staff, the value of contract staff is therefore less than indicated above.

(d) The Department advised the Committee that no comparative data for the previous year is available for the value of 'contractors' (excluding contract staff and consultants).

Source: Department responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One.

Based on the information provided by departments to the Committee, the aggregate value of contract expenditure in 2008-09 increased by 66.2 per cent from the previous financial year. The main reasons for increases across departments were as follows:

- costs associated with the 'Black Saturday' February 2009 bushfires (DSE);[106]
- temporary or contract staff employed to cover unavoidable incidents such as the Swine Flu Pandemic and administration of the 2009 Bushfire Appeal Fund – assessment and claims payment (DHS);[107]
- replacement of current Housing and Community Building transactional operating system with updated technology and software as part of the Housing Integrated Information Program (DHS);[108]
- continuation of the Health*SMART* project (DHS);[109]
- the Gambling Licences Review project, which is of a specialised nature with the fixed-term tenure required (DOJ);[110] and
- a large number of major IT projects undertaken, in particular, the transfer of a significant component of the Department of Justice's IT service to the whole of government shared service provider (CenITex). As staff roles have become vacant, they have been filled with contract staff until the transition is complete to enable the maximum degree of flexibility for both the Department and CenITex in terms of future recruitment (DOJ).[111]

Departments identified a total of 335 contractors or contract staff who were paid over $100,000 per annum that had been engaged for over 12 months. The two departments with the largest numbers were the Department of Human Services (112) and the Department of Transport (84). Over half of the contract staff for the Department of Human Services (62) related to the Housing Integrated Information Program (HiiP) project and were specialist IT resources.

The Department of Education and Early Childhood Development advised the Committee that:[112]

> *...it is not possible to determine which of these contracts spanned both reporting periods. The Department's contract management system does not currently allow for data interrogation to meet the specific information request.*

106 Department of Sustainability and Environment, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 29 January 2010, p.8

107 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 18 January 2010, p.13

108 ibid.

109 ibid.

110 Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2009, p.14

111 ibid.

112 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.5

The Committee also asked departments to identify the reasons why a public sector executive or employee could not have undertaken the role for which contractors or contract staff paid in excess of $100,000 per annum were engaged for over 12 months. The most common reasons provided to the Committee by departments were as follows:

- lack of parity in VPS remuneration relative to the commercial sector meant that specialist IT resources could not be attracted as public sector employees;
- departments did not have suitable candidates to undertake the specialist nature of the role, given the fixed-term duration; and
- a need to temporarily maintain or supplement staffing levels necessary to deliver services and projects.

Most departments indicated that the competitive market procurement process undertaken for engaging contract services was a competitive tender, request for quotation or engagement under the terms and conditions of the Whole of Victorian Government State Purchasing Contract for services such as information technology and administrative staffing services. Three departments identified a total of 27 contracts that were not subject to competitive procurement processes, for example, where exemptions from public tender or the obtaining of written quotations were obtained in line with the provisions within the Victorian Government Purchasing Board's policy. The departments advised the Committee that exemptions were granted due to absence of competition, a requirement for specialist technical skills and experience or due to there being a sole supplier.

5.4. Sick leave

Employee sick leave entitlements are outlined in various awards and agreements across the Victorian Public Sector. However, those employees in the Victorian Public Service, governed by the *Victorian Public Service Agreement 2006,* receive 15 days sick leave each year.

The Committee sought information from departments and agencies regarding the extent of sick leave taken during the current and previous period. In particular, the Committee requested that departments and agencies provide the following:

- quarter by quarter analysis of sick leave usage (sick leave days taken per quarter);
- total sick leave taken on each day of the working week; and
- ratio of sick leave taken (days) to FTE.

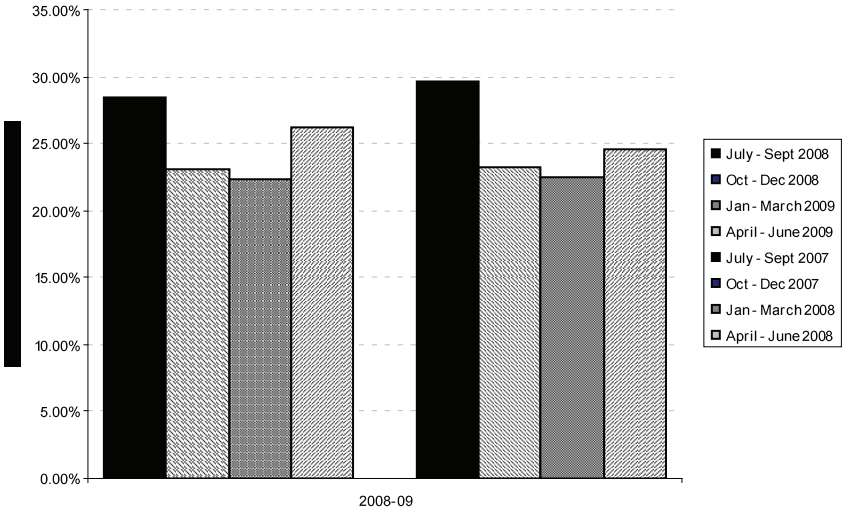
In responding to the Committee, two entities (the Department of Education and Early Childhood Development and the Port of Melbourne Corporation) advised that they do not undertake analysis of sick leave by quarter and therefore were unable to provide the Committee with this information. Further, 17 departments and agencies advised that they do not undertake analysis of sick leave by day of the working week and thus were unable to provide the Committee with this information.

The Committee believes that all departments and agencies should routinely undertake analysis of sick leave taken by their workforce, in particular for trends in sick leave taken without a certificate. This allows department and agency management to be made aware of emerging trends in sick leave taken and, where necessary, implement strategies for improved management of sick leave taken.

Recommendation 11: **All departments and agencies should have the capacity to generate reports on sick leave from their human resource information system to allow routine analysis of sick leave taken. This could assist in improving the management of sick leave through identifying sick leave trends and strategies being implemented to reduce the level of sick leave taken, where possible.**

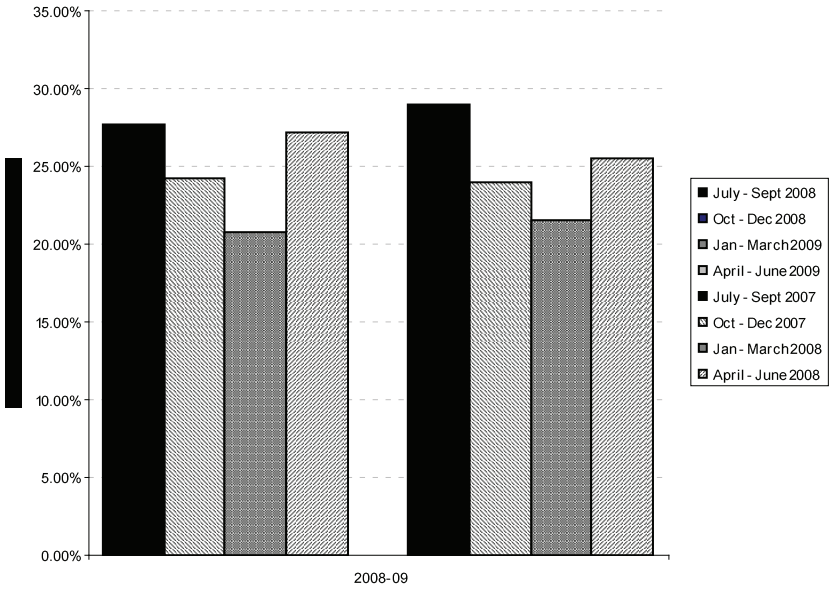
The Committee analysed the sick leave information which departments and agencies were able to provide for 2008-09 and 2007-08 to identify any trends in sick leave taken. Figures 5.2 and 5.3 show the sick leave taken by department and selected agency staff respectively for each quarter of the year in 2008-09 and 2007-08.

Figure 5.2: Sick leave taken by quarter – departments



Source: Department responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One

Figure 5.3: Sick leave taken by quarter – selected agencies



Source: Agency responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One

As seen in the two graphs above, the Committee's analysis of sick leave by quarter found that the July–September quarter had the greatest level of sick leave taken. In 2008-09, 28.5 per cent of sick leave was taken in this quarter in departments and 27.7 per cent in selected agencies (29.7 per cent in departments and 29.0 per cent in selected agencies in 2007-08). The April–June quarter had the second highest level of sick leave taken with 26.1 per cent in departments and 24.6 per cent in selected agencies in 2008-09 (27.2 per cent in departments and 25.5 per cent in selected agencies in 2007-08). This result is as expected given the increased likelihood of employees taking sick leave during the quarters spanning the winter period. This was particularly the case during the April–June 2009 quarter with the outbreak of the Swine Flu pandemic.

Tables 5.10 and 5.11 detail sick leave taken per FTE for departments and selected agencies respectively.

Table 5.10: Sick leave taken per FTE – departments

Department	Sick days per FTE 2008-09	Sick days per FTE 2007-08
Education and Early Childhood Development	9.0	9.0
Human Services	9.8	9.7
Innovation, Industry and Regional Development	6.6	6.3
Justice	7.7	7.6
Planning and Community Development	7.4	7.1
Premier and Cabinet	5.7	5.9
Primary Industries	5.3	4.8
Sustainability and Environment	6.2	6.4
Transport	7.5	6.8
Treasury and Finance	6.9	6.9
Parliamentary Services	5.4	4.9
Average	**7.0**	**6.9**

Source: Department responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One

Table 5.11: Sick leave taken per FTE – selected agencies

Agency	Sick days per FTE 2008-09	Sick days per FTE 2007-08
Public Hospitals	9.6	10.0
Victoria Police	8.7	8.6
Metropolitan Fire and Emergency Services Board	8.5	10.2
Country Fire Authority	5.8	5.8
Victorian Urban Development Authority	4.8	4.4
National Gallery of Victoria	6.5	5.4
Victorian Energy Networks Corporation	5.0	6.4
Barwon Region Water Corporation	5.0	6.9
Goulburn–Murray Rural Water Corporation	9.3	8.0
Melbourne Water Corporation	2.3	2.4
Parks Victoria	7.2	6.8
Roads Corporation	7.9	7.6
V/Line Passenger Corporation	12.9	14.4
Port of Melbourne Corporation	6.6	6.8
Victorian Rail Track	5.4	5.8
City West Water Limited	6.0	5.4
Rural Finance Corporation	5.1	5.7
South East Water Limited	7.2	7.6
Transport Accident Commission	4.8	9.2
Treasury Corporation of Victoria	5.9	5.2
Victorian Funds Management Corporation	2.8	1.5
Victorian Managed Insurance Authority	5.9	5.8
Victorian Workcover Authority	6.3	6.5
Yarra Valley Water Limited	7.5	7.2
Average	**6.5**	**6.8**

Source: *Department and agency responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One*

As shown in table 5.10 above, the average sick leave per FTE increased in departments from 6.9 days in 2007-08 to 7.0 days in 2008-09.

For selected agencies, Table 5.11 above shows that the average sick leave taken per FTE has decreased slightly from 6.8 days in 2007-08 to 6.5 days in 2008-09. In particular, the sick leave taken per FTE has decreased considerably within Metropolitan Fire and Emergency Services Board, Victorian Energy Networks Corporation, Barwon Region Water Corporation, V/Line Passenger Corporation and Transport Accident Commission.

Of continuing note, however, is the high incidence of sick leave per FTE in V/Line Passenger Corporation at nearly twice the average of all agencies combined and a third more than any other agency or group of agencies. The Committee believes that the Corporation should continue to make concerted efforts to reduce sick leave.

5.5. Succession Planning

Succession Planning is defined as the '*identification and development of potential successors for key positions in an organisation, through a systematic evaluation process and training.*'[113]

The Committee was interested in determining the extent to which departments had implemented formal succession planning strategies, as it is considered good practice to 'groom' successors for circumstances where staff in key positions leave the department.

The Committee asked departments to detail succession planning strategies they have developed and to provide examples where the department has applied succession planning to fill positions in 2008-09. Three of the ten departments advised the Committee that during 2008-09, they did not have formal succession planning strategies in place (the Department of Human Services) or were in the process of finalising such strategies (the Department of Education and Early Childhood Development and the Department of Innovation, Industry and Regional Development).

The main succession planning strategies departments have developed include:

- potential future leaders participating in the Victorian Leadership Development Centre (VLDC) programs or attendance at other programs such as the ANZSOG Masters and Fellowship program;
- the determination of succession risk for each division and alignment of risk mitigation strategies to these risks, including creating succession plans, analysis of critical roles and creation of Development and Talent Pools; and
- the provision of acting and secondment roles to identify high performing and emerging leaders within the department.

5.5.1 Department of Education and Early Childhood Development

The Department of Education and Early Childhood Development advised the Committee that it established a succession planning process towards the end of 2008-09. Specific succession planning strategies developed by the Department are identified in Table 5.12.

113 Business Dictionary, <www.businessdictionary.com/definition/succession-planning.html>, accessed 17 February 2010

Table 5.12: Succession Planning Strategies for DEECD

Succession planning strategies developed	Examples where succession planning applied to fill positions
The VPS performance planning process includes a Development Action Plan which the manager and staff member use to prioritise the capabilities and/ or behaviours which they will focus on in the performance cycle. These are then documented as actions to develop their current role and prepare for their desired role(s). The process identifies development and career goals, development actions and opportunities and actions through on-the-job experiences, networks and relationships and courses and programs. The Executive Development Committee, comprising the Secretary and all Deputy Secretaries, meets quarterly to review executive officer development. The Committee considers all executive officers' performance against their potential, using a set of established criteria, to gain an understanding of development and succession requirements. Development falls into three categories, experiential learning (learning by doing), relationships (learning from observing others, mentors and coaches) and formal programs. DEECD has nominated senior executives to take part in the Victorian Leadership Development Centre programs. Succession development is supported through provision of experiences through acting and secondment roles.	Not applicable as process only established toward end of reporting period.

Source: Department of Education and Early Childhood Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.9.

5.5.2 Department of Human Services

The Department of Human Services advised the Committee that it: [114]

> *…does not have a formal succession planning process; however, a range of leadership development programs and management skill training activities conducted by the Department ensure that the skills required by candidates for leadership positions are available to the Department. The process for filling positions within the Department of Human Services adheres to the principles of merit and equity.*

5.5.3 Department of Innovation, Industry and Regional Development

The Department of Innovation, Industry and Regional Development advised the Committee that it '*recognises the importance of succession planning given the breadth and complexity of its portfolio responsibilities and aging workforce.*' [115]

Specific strategies developed by the Department are identified in Table 5.13.

114 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 18 January 2010, p.22

115 Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 15 December 2009, p.9

Table 5.13: Succession Planning Strategies for DIIRD

Succession planning strategies developed	Examples where succession planning applied to fill positions
As part of the Department's People Strategy 2009-2012, an Accelerated Development Program was introduced aimed at building and developing core executive capabilities; developing high performing and emerging leaders for senior leadership roles and contributing to a positive leadership culture within DIIRD. The program is currently nearing completion and a new program will be launched in early 2010.	The DIIRD People Strategy 2009-2012 identifies the need to mitigate succession risk as a priority and, as such, the development of a succession planning and risk management strategy for the department is planned to commence in 2009-2012. Reporting on examples of succession planning to fill positions will be investigated as part of this project.

Source: Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 15 December 2009, p.9.

5.5.4 Department of Justice

The Department of Justice advised the Committee that: [116]

> *...succession and talent planning has been identified as a focus area due to the risks associated with vacancies in critical roles and the risks associated with losing key talent.*

Specific strategies developed by the Department and examples where succession planning has been applied to fill positions are identified in Table 5.14.

116 Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2009, p.23

Table 5.14: Succession Planning Strategies for DOJ

Succession planning strategies developed	Examples where succession planning applied to fill positions
The Department of Justice has been a pioneer in a rigorous implementation of Succession and Talent Planning processes in 2008 and 2009. Following initial pilots that allowed for the enhancement of the tools and process, Human Resources deployed a consistent, evidence-based Succession and Talent Planning process across the Department from March to November 2009. Key outcomes of the pilot include the determination of succession risk for Justice divisions and aligned risk mitigation strategies, such as the creation of succession plans; the analysis of critical roles and the creation of Department Development and Talent Pools. The Succession and Talent Planning team are facilitating the completion of succession plans for all Executive Officers and the talent identification at the Grade 6 level. Targeted development and retention strategies are being refined for staff identified via the pilot process as having the potential to be future senior leaders of Justice. Planning is currently occurring for the launch of supporting technology and the second iteration of the process in March 2010.	Succession planning is extremely important to the Department as it seeks to build the capability and agility to respond to critical issues and corporate priorities while maintaining core operational service delivery. Accordingly, it is common for senior officers to transfer to priority projects, such as improving dispute resolution services, intervening to minimise social harm in the areas of alcohol and mental health, and allocation of gambling licences. In transferring senior staff to these projects, backfilling has provided the opportunity for staff to step up to these senior roles. Staff with skills and abilities to perform at senior levels are identified through succession planning and supported through learning and development opportunities including leadership programs and coaching in some instances. The flow-on effect is that there is a good opportunity to implement succession planning in several positions. The Department has made good use of executive development programs including ANZSOG Masters and Fellowship program, Cranlana and other programs along with executive coaching. Development feedback using 360 degrees feedback and Employee Attitude Surveys are also utilised extensively to set development and performance goals. A key risk mitigation strategy aligned to the Succession and Talent Planning process involves the review of the Department Development and Talent Pools when there is an upcoming vacancy in a critical role. Staff that have been identified as having strength in the essential capabilities of the critical role are invited to apply for the position. The Development and Talent Pools are also used to fill fixed term key project roles.

Source: Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2009, p.23, 25.

5.5.5 Department of Planning and Community Development

The Department of Planning and Community Development advised the Committee that it has a number of strategies it uses in succession planning. Specific strategies developed by the Department and examples where succession planning has been applied to fill positions are identified in Table 5.15.

Table 5.15: Succession Planning Strategies for DPCD

Succession planning strategies developed	Examples where succession planning applied to fill positions
A Strategic Leaders Program has been specifically developed by DPCD to support succession planning for Executive Officer roles in DPCD. The program is targeted at senior managers at the VPS 6 level who are high achievers and key influencers in DPCD and who are in the pool of people ready to step up to the Executive level. The program recognises and builds participants' leadership capabilities by providing an opportunity for learning leadership tools, reflection on their current leadership approach and delivering a project which supports DPCD's strategic direction. Thirty-one DPCD managers participated in the program during 2008-09. DPCD also supported EO development and succession planning strategies in 2008-09 by supporting: • Senior Managers and Executives to participate in the Australia and New Zealand School of Government (ANZSOG) Masters and Fellows Programs and the Cranlana Programme; and • The establishment of the Victorian Leadership Development Centre, which is being developed to promote sustainable, highly-skilled, diverse and professional leadership capacity which consistently meets the needs of the Victorian Government and the community it serves. Additionally, DPCD is piloting a Workforce Planning Process with two key areas of the DPCD's workforce – Community Development and Planning and Local Government. The aim of the pilot is to develop a practical workforce plan for these two areas, which will help DPCD move towards its strategic objectives through the attraction and development of an optimal workforce. Succession planning risks and opportunities are actively being considered as part of the workforce planning process.	Eighty per cent of participants who have completed DPCD's Strategic Leaders Program have been provided with the opportunity to act in or have been promoted to more senior roles, including at the Executive Officer level.

Source: Department of Planning and Community Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 23 December 2009, p.9–10.

5.5.6 Department of Premier and Cabinet

The Department of Premier and Cabinet identified a number of approaches the Department uses in succession planning. Specific strategies developed by the Department and examples where succession planning has been applied to fill positions are identified in Table 5.16.

Table 5.16: Succession Planning Strategies for DPC

Succession planning strategies developed and examples where applied to fill positions
DPC's Summer Internship Program targets University students in their final year of study who may be suitable participants for the graduate program. The Internship Program has successfully been used as a 'feeder' group and continues to identify new potential graduates. DPC has two employees participating in the first Victorian Leadership Development Centre Senior Executive Leadership Program. This program aims to develop future Secretaries/CEOs in the short to medium term. DPC has also focussed on developing and promoting existing staff for a variety of roles at both executive and non-executive levels. DPC promotes staff development through methods including the allocation of particular work assignments, acting opportunities and learning and development offerings. Some recent appointees from within DPC have made the transition from non-executive to executive roles.

Source: Department of Premier and Cabinet, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 7 December 2009, p.9.

5.5.7 Department of Primary Industries

The Department of Primary Industries advised the Committee that it currently has in place succession management at the local level rather than a whole-of-department approach, however, it is currently in the process of developing a leadership strategy. Specific strategies developed by the Department and examples where succession planning has been applied to fill positions are identified in Table 5.17.

Table 5.17: Succession Planning Strategies for DPI

Succession planning strategies developed and examples where applied to fill positions
Current Strategies A number of local initiatives are in place designed to strengthen DPI's succession management including rotation of higher duties in backfilling senior roles, local leadership development programs and successor identification for key roles. These are managed at the local level rather than a whole of department approach. At the Executive Officer level, DPI participated in the succession management exercise conducted by the Victorian Leadership Development Centre (VLDC) creating a leadership Risk Profile for the whole of the VPS. As a result of this activity, DPI has a number of executives participating in tailored development strategies delivered by the VLDC to prepare them for more senior roles. **Proposed Strategies** Underpinned by the recently developed DPI People Strategy 2009-2011, DPI is currently developing a leadership strategy and identifying the key capabilities required for the Department. These pieces of work are key components to developing a succession management approach that ensures DPI effectively plans for succession and manages the changing demographics of its workforce. Leveraging on both the VLDC and State Services Authority models, it is proposed that DPI will develop an approach to succession management based on building bench strength at all levels of the organisation. This approach will focus on developing and enhancing transferable skills, building the behavioural as well as technical capabilities.

Source: Department of Primary Industries, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2009, p.15.

5.5.8 Department of Sustainability and Environment

The Department of Sustainability and Environment advised the Committee that it has an Executive Succession Planning Strategy in place. Specific strategies developed by the Department and examples where succession planning has been applied to fill positions are identified in Table 5.18.

Table 5.18: Succession Planning Strategies for DSE

Succession planning strategies developed	Examples where succession planning applied to fill positions
The Department has an Executive Succession Planning Strategy that was developed by the People Committee, a key governance committee for the Department. Executive positions have been reviewed by the Committee to identify high risk roles and plans are in place to manage succession into these roles in the future. In addition to these high risk roles there is a focus on developing individuals with high potential to move into executive or senior executive roles in the future.	The Department encourages staff identified as having high potential to move into executive roles to apply to participate in the Senior Leadership Program. This program provides extensive learning and development opportunities to assist staff when applying for executive roles. Twenty-five per cent (4 staff) from this group were successful in moving into executive roles during the 2008-09 financial year.

Source: Department of Sustainability and Environment, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.11

5.5.9 Department of Transport

The Department of Transport advised the Committee that it is currently in the process of developing a Succession Planning framework. However, the Department has in place other existing specific strategies regarding sponsored investment and leadership risk profile. Detail on specific strategies developed by the Department, and examples where succession planning has been applied to fill positions are identified in Table 5.19.

Table 5.19: Succession Planning Strategies for DOT

Succession planning strategies developed	Examples where succession planning applied to fill positions
Succession Planning The Department of Transport is currently in the process of developing a Succession Planning framework. The framework will provide a systematic approach to assist with the identification, development and retention of talent and the establishment of talent pools for current and future mission critical roles and areas across the Department. It is envisaged that these talent pools will include critical roles at executive, managerial, functional and technical project and/or operational roles. The framework aims to ensure continuity of business and minimise the Department's exposure to succession and vacancy risk. The framework will be strongly linked to other related strategies and initiatives, such as the Department's Leadership and Management Development frameworks. Sponsored Investment DOT has identified emerging leaders within the organisation (at various levels) and has taken a more proactive and targeted sponsorship approach to their development. Currently a total of 146 people in the organisation (representing a variety of functional areas) have been identified. Assessment is based on three key areas: capability, aspiration and engagement. Leadership Risk Profile DOT undertook an assessment of Executive Officer positions in order to determine the likelihood of people leaving positions as well as consequences and impact on the organisation of that event taking place. As a result, a report on the likely risks to the organisation (capability gaps and impact of delivery) was compiled which provides DOT with a clear pathway for minimising the impact of those risks.	DOT's sponsored investment list has enabled the senior leadership within the Department to identify one to two job ready high performing people for the majority of executive positions within the Department. This has been borne out in the significant number of internal executive placements over the last 18 months. One of the development opportunities provided by DOT to emerging leaders in 2008-09 was to provide acting opportunities when short term vacancies occurred. This provided people with on-the-job experience at more senior levels thus better preparing them for future vacancies that may arise on a permanent basis.

Source: Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 9 December 2009, p.21–3.

5.5.10 Department of Treasury and Finance

The Department of Treasury and Finance advised the Committee that: [117]

> *...succession planning strategies are developed at the Executive level. Within the Department, conversations occur at Deputy Secretary level prior to discussions at the Treasury and Finance Board. The key at risk roles are identified based upon the Victorian Leadership Development Centre (VLDC) model of risk development.*

117 Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 10 December 2009, p.23

5.6. Professional development of staff

Professional development represents a key people management function. By investing in developing and enhancing the skills of the Victorian Public Service (VPS) workforce, this can improve the overall performance of departments in the delivery of their outputs.

The Committee was particularly interested in the costs of delivering the professional development program, the processes employed by departments to assess whether the training activities had met the needs of staff and the organisation and whether the intended outcomes to be derived from professional development have been achieved.

Table 5.20 below outlines the costs of delivering the professional development program across the 10 departments and the Parliamentary departments along with the cost per FTE.

Table 5.20: Cost of delivering Professional Development Program

Department	Cost 2008-09 ($ million)	FTE (number)	Cost per FTE[a] ($)
Education and Early Childhood Development[b]	18.2	55,121.9	329.3
Human Services	18.2	11,413.0	1,594.7
Industry, Innovation and Regional Development[c]	0.1	1,029.8	135.0
Justice[d]	8.6	7,387.4	1,164.1
Planning and Community Development	0.4	1,047.7	343.6
Premier and Cabinet	1.6	361.0	4,407.1
Primary Industries	1.5	2,410.3	626.5
Sustainability and Environment	3.7	2,900.0	1,289.7
Transport	3.6	1,192.6	3,018.6
Treasury and Finance[e]	0.2	583.0	356.8
Parliamentary Departments	0.4	491	786.2

Notes:

(a) Cost per FTE has been calculated by the Public Accounts and Estimates Committee.

(b) The Department advised the Committee that for VPS staff, the cost did not include other types of informal professional development such as job rotation, mentoring, shadowing, online learning and attendance at DEECD workshops. The Department also advised that for school based staff, the cost did not include regional offices, school networks and individual schools which allocate resources for teacher professional training.

(c) The Department advised the Committee that this amount does not include divisional expenditure on seminars, conferences or local training programs as they are delivered by individual divisions and data is not captured centrally.

(d) The Department advised the Committee that the costs covers all related Learning and Development costs across the Department and may be attributable to items that are not L&D specific, such as travel expenses, catering, incidentals, seminars and conferences.

(e) The Department advised the Committee that the costs included Leadership Development modules, scholarships (ANZSOG, for example), general skill development, conference fees and study assistance.

Source: Department responses to the Committee's Financial and Performance Outcomes Questionnaire – Part One.

The Committee's analysis of the departmental costs of delivering professional development per FTE found large variations in the levels of spending on professional development. The Committee found that the Department of Premier and Cabinet spent the most per FTE on professional development at $4,407, whereas the Department of Innovation, Industry and Regional Development spent the least at $135 per person (FTE). The Committee also noted that three other departments (the Department of Education and Early Childhood Development, the Department of Planning and Community Development and the Department of Treasury and Finance) had relatively low professional development costs per FTE, with each of these departments having spent less than $400.

The Committee believes that there should be a consistent approach across Departments to the professional development of staff. The wide cost variations per FTE imply that this might not be the case, even allowing for higher developmental costs in some areas (e.g. technical, engineering). It suggests that the State Services Authority undertake a study into professional development across agencies, with a view to making recommendations that ensure that all agencies give such training high priority.

The Committee also notes that some departments advised that the costs provided to the Committee were not inclusive of all professional development across the Department, such as costs incurred for training delivered by individual divisions, as this data was not currently able to be accurately captured. The capturing of accurate data on professional development assists departments and agencies in assessing whether professional development is delivered in a cost-efficient manner.

Recommendation 12: **Departments and agencies review their current processes for capturing the costs of delivering professional development and consider implementing enhanced processes that will facilitate the accurate and complete recording of all costs associated with the delivery of professional development. This will assist departments and agencies in assessing whether professional development is delivered in a cost-efficient manner.**

The Committee asked departments and agencies to describe the processes employed by the organisation to assess whether training activities have met the needs of both the staff and the organisation and to explain the approach adopted for assessing whether the intended outcomes to be derived from the professional development had been achieved. The most widespread approaches used by departments and agencies, as advised to the Committee, were as follows:

- development of individual staff performance development plans between the staff member and manager as part of the performance agreement. Every six months conducting an assessment of whether training has met the staff members needs as outlined in the individual performance plans;

- evaluation forms completed by staff members at the conclusion of training activities. Feedback provided includes questions on relevance of content, facilitation and achievement of learning objectives. Themes from this feedback are communicated to senior management as well as the training provider as a means of continuously improving the training offered;

- post program evaluations undertaken with participating staff members and their managers to ascertain the transfer of learning back into the workplace;

- evaluation of learning and development activities against various learning evaluation models; and
- review of compulsory training and essential skills required for each role to ensure employees attend appropriate training only.

CHAPTER 6: PROCUREMENT

Key findings of the Committee:

6.1 **The Committee acknowledges the extensive range of policies and guidance material relating to procurement that has been issued by the Victorian Government Purchasing Board and Department of Treasury and Finance respectively.**

6.2 **To enhance public reporting, the Department of Treasury and Finance should consider providing guidance to departments and public bodies about the way in which procurement outcomes derived from the largest contracts for strategic items (i.e. those that are essential to the achievement of an agency's key outputs) should be divulged in annual reports.**

6.3 **The Victorian Auditor-General regards achieving value for money as the principal objective of public sector procurement. According to the Auditor-General, value for money represents the optimum combination of quality, quantity, risk, timeliness and cost, and should be determined on a whole-of-contract and whole-of-asset life basis.**

6.4 **When measuring and evaluating procurement performance in terms of whether value for money has been derived in procurement, it is essential that a balanced judgement takes place between financial and non-financial factors (such as quality, risk and timeliness), rather than only the initial purchase price.**

6.5 **While in the vast majority of cases, agencies indicated that value for money had been obtained from their respective procurement contracts, instances arose where agencies informed the Committee that value for money outcomes can only be determined at the end of the delivery timeframe or after implementation.**

6.6 **The Committee noticed from the information supplied by agencies that in measuring and evaluating value for money, the concept of referring to appropriate national benchmarks for like contracts was not raised. The Committee sees merit in central agencies exploring the possibility of researching such material for developing business cases and criteria for measuring and evaluating whether value for money has been provided from large and complex procurement.**

6.7 **The Committee supports the concept advocated by the Victorian Auditor-General that for large and complex procurement, the procurer should consider publishing a value-for-money statement that sets out the aspects of the procurement approach that will drive the achievement of value for money.**

6.8 **In the vast majority of cases reported to the Committee, agencies acquired items at or within the budgeted amount for 2008-09. Where budgets were exceeded, the acceleration of works was a factor that contributed to this outcome.**

6.9 **The Committee noted that 21 procurement contracts (13 IT contracts) were not delivered on time. Although there was no single stand out factor contributing to the delays, some of the reasons offered for timelines being exceeded centred on delays associated with overseas providers/suppliers and vendor software issues.**

6.10 **The Committee looked for, but did not find, evidence to indicate that planned timelines for delivery of major procurement contracts were included in key planning documents of agencies such as corporate or annual/business plans.**

6.11 **Most agencies indicated that the quality of service provided from procurement activities had been at the standard required by the contract or in line with expectations/schedules. Some of the factors identified that adversely impacted on quality of service delivery related to resourcing issues connected with the supplier.**

6.12 **All agencies had processes in place for identifying and managing risks associated with procurement. Common avenues included the development of risk registers, risk management plans, the use of the PRINCE2 project management methodology, working parties, project teams reporting to particular committees and meetings with service providers.**

6.13 **When describing to the Committee the accountability frameworks that were in place, many agencies indicated that accountability mechanisms were described in procurement contracts.**

6.14 **The Committee noted that to facilitate openness and probity in Victorian Government contracts, a Central Registry of Major Government Contracts has been established. In doing so, the Government has advised that it has been necessary to withhold certain parts of the long-standing contracts listed on the register from disclosure due to the existence of confidentiality clauses or, in other very limited cases, on the basis that disclosure would be contrary to the public interest.**

6.1. Introduction

When examining issues relevant to public administration, financial and performance outcomes connected with the State's procurement function continue to come under the Committee's notice, especially given the major economic stimulus packages implemented at the Commonwealth level and the sizeable budget-related infrastructure initiatives at the Victorian state level.

The Committee recognises that the procurement of goods, services, IT and construction is a key strategic management function, both centrally, where whole-of-government contracts are entered into, as well as at an individual agency level.

In terms of the relevance of sound procurement practices to the community at large, securing value for money in procurement is crucial to the wider objective of delivering high quality, cost-effective public services. In introducing this topic for scrutiny, the Committee concurs with the concept that purchasers need to develop clear strategies for continual improvement in the acquisition of goods and services.[118] The Committee's findings are therefore aimed at facilitating the satisfaction of this objective.

118 The Government of Scotland, <www.scotland.gov.uk/Topics/Government/Finance/spfm/procure>, accessed 6 January 2010

6.2. Background

In extensively covering procurement practices and outcomes in the Committee's previous *Report on the 2007-08 Financial and Performance Outcomes,* the Committee called for the disclosure of milestones used and service delivery achieved as part of reporting on procurement contracts in annual reports. The Government, in its response, indicated that the Victorian Government Purchasing Board policy requires that departments disclose details of procurement contracts, including milestones, deliverables and performance obligations on the Whole of Victorian Government contract publishing system (for contracts between $100,000 and $10 million in value, departments are to disclose a summary of details and for those over $10 million they are to provide full details). In relation to the disclosure of this material in annual reports, the Government advised in November 2009 that this matter was being considered in the context of the Public Finance and Accountability Bill program of works.[119]

The Committee noted that a key feature of the Public Finance and Accountability Bill included '*more effective procurement governance that focuses on the probity of high risk procurement activities of all public entities*'.[120] Importantly, the Bill requires departments and public bodies to comply with the procurement principles outlined in the Bill which centred on:[121]

- value for money procurement outcomes based on balanced judgement of financial and non-financial factors;
- accountability commensurate with appropriate levels of authority and responsibility;
- probity through the application of integrity and ethical behaviour; and
- scalability so that policies, processes and capability are appropriate for the complexity and significance of the procurement undertaken.

In terms of achieving consistency in public reporting, the Committee believes the Department of Treasury and Finance should consider providing guidance to departments and public bodies about the way in which procurement outcomes derived from the largest contracts for strategic items (i.e. those that are essential to the achievement of an agency's key outputs) should be divulged in annual reports.

Further comments on these matters are contained throughout this chapter of the report.

Recommendation 13: **With regard to the implementation of large scale procurement contracts for the purchase of strategic goods and services, the Department of Treasury and Finance should consider providing guidance to agencies on how to disclose in their annual reports in a consistent manner the impact that procurement outcomes in terms of service delivery have had on the achievement of planned strategic objectives.**

119 Victorian Government, Responses to the Recommendations of Public Accounts and Estimates Committee's 87th *Report on the 2007-08 Financial and Performance Outcomes*, 9 November 2009, p.9

120 *Victorian Parliamentary Debates*, Legislative Assembly, 10 December 2009, p.4628

121 Victorian Government, Public Finance and Accountability Bill 2009, cl. 9

The Committee also wishes to note the Commonwealth's economic stimulus plan released in February 2009. This capital spend places an obligation on states and territories to effectively manage procurement activities across the public sector in order to maximise financial and performance outcomes for the Victorian public, especially in terms of the State's large-scale infrastructure contracts. The Committee's analysis contained in this chapter is therefore complemented with comments made in Chapter 3 (Public Sector Infrastructure and Asset Investment) and Chapter 7 (Fiscal Stimulus Packages and Grants) of this report.

The Committee reviewed the two largest (non-IT) contracts and two largest IT contracts in terms of expenditure incurred in 2008-09 across each of 43 public sector agencies. The inquiry involved asking agencies questions that centred on:

- value for money;
- costs compared to budget;
- times involved in implementation compared to established timelines;
- the extent to which quality service has been provided compared to the agreed standard;
- risk identification and management; and
- the accountability framework.

In undertaking this review, the Committee acknowledges the extensive range of policies and guidance material relating to procurement that has been issued by the Victorian Government Purchasing Board and Department of Treasury and Finance respectively. This material includes an Investment Management Standard, a suite of tools and techniques for the through-life management of asset investments, which is aimed at allowing investment decision makers within Government to '*clearly define the need for an investment, shape the solution and track the delivery of benefits throughout the investment lifecycle*'. According to the Department, the adoption of these practices has been shown to drive investments that are more effective at implementing policy and reducing the risk of investment failure.[122]

As part of the Investment Management Standard, the Department has developed a tool called an Investment Logic Map to assist in testing the rationale for proceeding with investment proposals (particularly information and communications technology investments) while they are still at an early stage of development. The Government's approach to investment management relating to the creation of an Investment Logic Map has two components, namely:

- defining the drivers, objectives and benefits of the investment and the changes and enablers required for the gains to be achieved; and
- confirming with investors, architects and implementers that the proposal can be achieved and considering the relationship to other business strategies, initiatives and assets for leveraging against existing organisational resources and capabilities.

The Committee also noted that the Department has developed detailed business case guidelines for State Purchase Contracts, which aim to achieve improved value for money on a whole-of-life and long-term sustainable basis.[123]

122 Department of Treasury and Finance, *Gateway Reviews and Best Practice Guidelines*,<www.dtf.vic.gov.au/gateway>, accessed 8 January 2010

123 Department of Treasury and Finance, *Good Practice Guidelines, Strategic Procurement – General*, June 2009, p.10

6.3. Securing value for money in procurement

6.3.1 Criteria for obtaining value for money in procurement

A wide variety of authoritative literature exists, both locally and overseas, with regard to defining value for money components in procurement.

The Victorian Government Purchasing Board (VGPB) states that in broad terms, value for money denotes a balanced benefit measure covering quality levels, performance standards, risk exposure, other policy or special interest measures (e.g. environment impacts), as well as price. Achieving improved value for money is one of four objectives that have been set by the Victorian Government for the procurement of goods and services. To verify whether value for money has been obtained from the goods and services, the VGPB poses the following questions:[124]

- Did they meet their specification?
- Were they supplied on time?
- Were they supplied at the agreed cost?
- Have planned benefits been achieved by the State?

The Victorian Auditor-General regards achieving value for money as the principal objective of public sector procurement. Value for money represents the optimum combination of quality, quantity, risk, timeliness and cost, and should be determined on a whole-of-contract and whole-of-asset life basis.[125]

According to the UK National Audit Office: [126]

> *All public procurement of goods and services, including works, must be based on value for money, having due regard to propriety and regularity. Value for money is not about achieving the lowest initial price: it is defined as the optimum combination of whole of life costs and quality…In the case of goods and services which have a working life that extends over many years, there is a need to ensure they are cost effective over their working life. This means taking a long-term view and not focusing on the lowest purchase price at the expense of long-term value for money. Long-term procurement commitments also should be able to deal with change, for example, a department may wish to take advantage of changes in technology.*

This Committee therefore recommends that agencies be mindful of this consideration when entering into IT procurement contracts.

124 ibid., p.2, 22

125 Victorian Auditor-General's Office, *Public Sector Procurement, Turning Principles into Practice*, October 2007, p.3

126 United Kingdom, National Audit Office, *Getting value for money from procurement*, 2001, pp.3, 5

6.3.2 Overall findings

The Committee was interested in understanding the reasons why agencies considered value for money (the key principle to be achieved in the procurement function) had been obtained in the largest procurement contracts entered into by government agencies.

While in the vast majority of cases, agencies indicated that value for money had been obtained from their respective procurement contracts, instances arose where agencies informed the Committee that value for money outcomes can only be determined at the end of the delivery timeframe or after implementation. In other situations, the lack of well developed markets restricted the ability of agencies to reach definitive conclusions on whether value for money had been provided in the procurement.

The Committee noted that there was a wide array of techniques used by agencies to assess whether value for money had been obtained from procurement contracts. Techniques employed included:

- the undergoing of a competitive tender which includes value for money criteria;
- the tender being significantly lower than the next lowest tender;
- the appointment of the lowest price contractor;
- ensuring that the budget not being exceeded;
- services are delivered in accordance with required timeframes;
- obtaining feedback from customer surveys (key stakeholder or sponsorship satisfaction);
- monitoring against like providers; and
- the conduct of independent evaluations.

Some approaches offered innovative approaches for securing value for money. As an example, under the contract for the purchase of the Ultranet, the Department of Education and Early Childhood Development can purchase discrete deliverables, contracted as individual work orders, and only award subsequent work dependent on the contractor demonstrating their capacity to deliver.[127] In relation to the Medical Records Scanning project at Alfred (Bayside) Health, the final phase of the tender evaluation process involved site visits at a number of Victorian and United States hospitals to assess the final two products in a fully functional environment.[128]

The Committee noticed from the information supplied by agencies that in measuring and evaluating value for money, the concept of referring to appropriate national benchmarks for like contracts was not mentioned by any agency. The Committee sees merit in the Department of Treasury and Finance exploring the possibility of researching such material for developing business cases and criteria for measuring and evaluating whether value for money has been provided from large and complex procurement. The results of such research should be used to help departments and agencies further improve their procurement processes.

127 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.20

128 Alfred (Bayside) Health, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, reeceived 18 January 2010, p.18

Where judgements about whether value was achieved were based solely on price, this situation showed a lack of understanding by some agencies of wider value for money considerations in procurement. In addition, the mere inclusion in the tender of value for money criteria for the selection of the contractor, while commendable, does not guarantee that value for money has been appropriately assessed and obtained from the procurement contract.

Optimising value for money

The Committee was interested to find that in a few cases, value for money was optimised by agencies getting an increased level of quality of service above contracted specifications from the contractor at the same cost. For example:

- Victoria Police advised that in relation to the Melbourne Custody Centre, there have been a number of initiatives provided by the contractor that extended beyond the contracted key performance indicators outlined in the contract;[129] and
- the Department of Justice advised that in relation to the Fujitsu IT contract, the contractor reports on value-add initiatives over and above the contract.[130]

The Committee encourages agencies to be vigilant at all times to seeking opportunities to obtain better value for money from procurement contracts in terms of negotiating an increased level or quality of service at no additional cost from contractors.

The Committee sighted some examples where agencies provided information indicating that value for money had been obtained in implementing particular procurement contracts. Examples are provided in Table 6.1.

129 Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2009, p.48

130 ibid., p.53

Table 6.1: Examples where organisations provided reasons for concluding that value for money had been obtained in implementing particular procurement contracts more than $1 million

Organisation	Procurement Contract	Expenditure in 2008-09	Reasons as to whether value for money has been obtained
Department of Education and Early Childhood Development	Print Management Services (whole-of-government contract)	$3,536,057	The Victorian Government will receive value for money through improved reporting, transparency, streamlined processes and reduced inefficiencies in spending on print. Other benefits include the standardisation of some print work, provision of expert advice, reduction in volumes and waste and lessening our footprint on the environment.(a)
Melbourne Water	Sugarloaf Pipeline Project	$351,200,000	The Sugarloaf Pipeline is being delivered by an Alliance to overcome the challenges of a short timeframe, concurrent approvals, design & construction, and limited resources. A rigorous tender assessment process, reviewing commercial, technical and other competencies was used to select the Alliance partners. Based on this assessment, underpinned by the Project Alliance Agreement with definitive performance requirements, it is considered that 'value for money' is being achieved. Performance against the requirements is currently to a high level with the project likely to be completed under budget and on schedule, whilst achieving targets in safety, environment, stakeholders, quality and legacy.(b)
Department of Treasury and Finance	Hays Personnel	$3,142,069	Value for money has been obtained from the contract due to:(c) • savings achieved; • the supplier's ability to meet Government requirements; • contractor retention; • fixed, consistent and transparent rates; and • the supply of consistent quality of candidates.

Sources:

(a) Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.16

(b) Melbourne Water, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.18

(c) Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 10 December 2009, p.38

6.3.3 Price as a criteria for value for money

The Committee received some responses indicating that price was a significant factor or even the sole factor in procurement decision-making. While this might be the case in minor procurement matters or for commonly available equipment (e.g. computers), the Committee maintains that when measuring and evaluating procurement performance in terms of whether value for money has been derived in large-scale procurement projects, it is essential that a balanced judgement takes place between financial and non-financial factors (such as quality, risk and timeliness). The Committee supports the concept advocated by the Victorian Auditor-General that for large and complex procurement, the procurer should consider publishing a value-for-money statement that sets out the aspects of the procurement approach that will drive the achievement of value for money.[131]

Recommendation 14: **The Department of Treasury and Finance reinforce with agencies for evaluation and reporting purposes, the need to adopt a balanced approach that takes into account an optimum combination of quality, quantity, risk, timeliness and cost when measuring and evaluating whether value for money has been obtained from procurement.**

Recommendation 15: **For large and complex procurement, the Department of Treasury and Finance encourage agencies to consider publishing a value-for-money statement that sets out the aspects of the procurement approach aimed at driving the achievement of value-for-money.**

6.4. Cost versus budget for large procurement contracts

Table 6.2 shows the respective budgets and expenditure for 2008-09 according to each contract included in the Committee's review where expenditure incurred in 2008-09 exceeded $10 million. The table shows that in the vast majority of the largest contract payments for 2008-09, agencies have been able to procure items at or within the budgeted amount for that year. Where budgets were exceeded, it was claimed by the Roads Corporation that the acceleration of works was a factor that contributed to this outcome.[132] The Victorian WorkCover Authority advised the Committee that in relation to payments for the provision of legal services, professional fees were higher than budgeted due to increased litigation activity, which were outside the control of the Legal Panel.[133]

131 Victorian Auditor-General's Office, *Public Sector Procurement, Turning Principles into Practice*, October 2007, p.7

132 Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 9 December 2009, p.35

133 Victorian WorkCover Authority, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 2 February 2010, p.16

Table 6.2: Procurement contracts examined by the Committee where expenditure incurred in 2008-09 exceeded $10 million

Agency	Contract description	Budget 2008-09	Expenditure 2008-09
Department of Education and Early Childhood Development	Ultranet	$28,428,000	$13,357,814
Department of Human Services	Gardasil Vaccine	$156,921,955 current approved contract	$43,483,757
	National Immunisation Program Vaccines	$149,662,663 current approved contract	$28,450,500
	Health*SMART*	(a)	(a)
Eastern Health	Medical Imaging Services	$11,160,000	$11,160,000
	Support services (catering, cleaning, grounds)	$18,600,000	$18,600,000
Southern Health	Doveton 100 bed facility	$25,000,000	$25,000,000
Department of Innovation, Industry and Regional Development			
Victorian Skills Commission	Delivery of vocational education and training by the Victoria University TAFE Division	$73,750,000	(b)
	Delivery of vocational education and training by the Holmesglen Institute of TAFE	$73,470,000	(b)
Department of Justice	Infringement Management and Enforcement Services Agreement	$37,800,000	$38, 050,000
	Port Phillip Prison Agreement	$51,300,000	$51,200,000
Victoria Police	CBA Hardware and Service Leasing Agreement (CBA)	$13,490,000	$13,280,000
Department of Premier and Cabinet	Grocon – Clean-up of bushfire sites	N/A	$63,900,000
Department of Sustainability and Environment	Technical, Engineering, Planning & Environment Advisory Services for the Wonthaggi Desalination Project	$75,500,000	(c)
	Agreement with VicForests to meet the Secretary's obligations under the *Forest (Wood Pulp) Agreement Act 1996*	$22,500,000	$18,500,000
Goulburn–Murray Rural Water Corporation	Rubicon – Future Flow Project	(d)	$17,600,000
Melbourne Water Corporation	Northern Sewer Project	$89,000,000	$72,000,000

Agency	Contract description	Budget 2008-09	Expenditure 2008-09
	Sugarloaf Pipeline Project	$366,200,000	$351,200,000
Department of Transport	Connex	$398,000,000	$412,000,000
	Yarra	$133,000,000	$127,000,000
	Metropolitan Train Control Replacement Project (METROL)	$17,400,000	$15,500,000
	Metropolitan Train Communication System	$48,300,000[e]	$23,600,000
Roads Corporation	West Gate Freeway Alliance Project	$140,000,000	$229,000,000[f]
	Deer Park Bypass Project	$87,300,000	$114,900,000[g]
	Freeway Management System	$50,000,000	$20,500,000
V–Line Passenger Corporation	Downer EDI – Maintenance Contract on V/Line Rolling Stock (excluding V/Locity)	$41,200,000	$41,700,000
	BP – Diesel Fuel for V/Line Rolling Stock Fleet	$35,100,000	$34,300,000
Department of Treasury and Finance			
Transport Accident Commission	FKP Lifestyles Pty Ltd	$10,500,000	$9,900,000
	Mitchell & Partners Australia Pty Ltd (marketing expenditure)	$17,600,000	$16,100,000
City West Water Limited	Programmed Facility Management (PFM) – maintenance contractor	$19,720,000	$19,421,000
South East Water Limited	Boneo Sewage Treatment Plant Upgrade	$21,300,000	$20,900,000
Victorian WorkCover Authority	Authorised Agents	$196,000,000	$194,000,000
	Legal Panels	$35,800,000	$42,200,000
	Claims System of Work/ Novus	$16,650,000	$16,650,000
	Information Management	$6,480,000	$6,230,000

Notes:

(a) Program implementation funding has been provided from a number of sources to make up a total financial commitment of $360 million. Department of Health and health services are both contributing to the establishment costs and to the operating costs, additional to the funding allocated by the Government in 2003.

(b) Training providers are paid for training delivery within targets set for purchased places.

(c) In accordance with final budget.

(d) Goulburn-Murray Water (G-MW) has an agreement with Rubicon that allows Statement of Works (SoWs) to be signed. The current Agreement with Rubicon has been approved by the G-MW board to a total of $62 million. At the time budgets were being set by G-MW, the Future Flow project was not yet in place and therefore the scope was still being developed. Despite there being no set budget in place, SoWs are negotiated by G-MW and Rubicon for each portion of works. In addition, the gates are listed on the State Pricing Schedule and other services are commercially negotiated.

(e) The original budget for 2008-09 was $48,300,000. The budget phasings were reviewed following the signing of the major contract in December 2008.

(f) This was a result primarily of the acceleration of works relating to the project. Total estimated cost of the project remains within the approved amount.

(g) This was a result of acceleration of works during 2008-09 and previous years.

Sources: Agency responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One

6.5. Times involved in implementation

6.5.1 Criteria for ensuring procurement contracts are delivered on time

Research shows that ensuring that goods and services purchased are available when needed is one of the ingredients of obtaining value for money from procurement.[134]

6.5.2 Overall findings

The Committee noted that 21 procurement contracts (13 IT contracts) were not delivered on time according to the timelines specified in contract or tender documentation. Although there was no single standout factor that contributed to delays, some of the reasons offered for timelines being exceeded centred on delays associated with overseas providers/suppliers and vendor software issues. Table 6.3 gives examples of delays experienced in major procurement during 2008-09. On the other hand, Melbourne Water advised the Committee in early December 2009 that the Sugarloaf Pipeline Project (actual costs incurred of $351.2 million compared to the budget of $366.2 million due to improved productivity) was running approximately four months ahead of its published completion date of mid 2010.[135]

134 United Kingdom, National Audit Office, *Getting value for money from procurement*, p.1

135 Melbourne Water, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.17

Table 6.3: Examples of procurement contracts not delivered on time or where timelines have been extended

Agency	Procurement contract	Expenditure 2008-09	Reason
Department of Education and early Childhood Development	Outsourced Assessment Service for the Program for Students with Disabilities	$4.0 million for the term of the contract	The contract period from 12 July 2007 to 31 December 2008 was extended to 31 December 2009.
Alfred (Bayside) Health	Medical Records Scanning	Total cost over 5 years of $5.2 million	Original timeline to go live at the Alfred of January 2010 was extended to March 2010 due to the large number of staff that require training.
	Alfred Centre Stage 11	$131,000	The project, which was scheduled to commence in August 2009 and be completed by March 2010, is currently tracking to complete by May 2010.
Barwon Health	Digital Medical Record Case	$1.2 million	2.5 years actual versus 2 year budget.
Royal Children's Hospital	Medical Photography Management system	$124,839	Due to the hospital and the vendor experiencing unexpected staff availability issues, the actual go-live date was 24 August 2009 compared to the original go-live date of 30 June 2009.
Southern Health	Patient and Client Management System (PCMS)	$3.0 million	The timeframe for the PCMS has not been in line with expectations as the agency is waiting for software fixes.
Western Health	Patient and Client Management System (PCMS)	$1.8 million	With a project duration of 15 months, a two month delay was experienced in relation to the system go-live compared to the initial targeted date due to a series of operational factors and the complexity of the implementation.
Victoria Police	Helicopters	$8.0 million	The provision of the new aircraft has experienced issues with overseas providers.
Metropolitan Fire and Emergency Services Board	Seven General Purpose Pumpers	$2.4 million	While the completion is currently on track, there was some delay in the completion of the construction stage primarily due to delivery issues relating to overseas components.
Metropolitan Fire and Emergency Services Board	Construction of the Nunawading Fire Station	$680,000	The original date for practical completion was 7 October 2009. The approved adjusted date is 2 March 2010. The time delay is attributed to industrial issues relating to firefighters' relocation to a temporary fire station site.
Country Fire Authority	Ballarat Emergency Management Facility	$4.3 million	The agreed construction completion date was 1 June 2009. The actual construction completion date was 13 July 2009. Delays were partially attributed to wet weather days. A formal contract variance, without cost to CFA, was executed.
Department of Planning and Community Development	eGrants Project	$1.4 million	Development commenced late because of the delay in obtaining supplier engagement approvals. The delay in implementation was primarily due to technical infrastructure problems.

Agency	Procurement contract	Expenditure 2008-09	Reason
Victorian Urban Development Authority	Civil Works Contract B – follow up clarification question to name the contract	Follow up clarification question to quantify expenditure in 2008-09	The project took longer to complete than the original finish date due to an increased scope of work and issues outside the control of the contractor, including the unexpected location of existing services that then needed to be moved.
City West Water Limited	3D Networks – PABX Upgrade	$451,000	The project was completed on 13 June 2009. The estimated completion date in the original business case written in December 2008 (prior to the procurement process for the contract) was 26 March 2009. The main reason for the delay was due to an unexpected technical dependency which was identified after the business case was approved. The project steering committee assessed the risk and decided to delay the project while another project was approved to upgrade the IVR to a version compatible with the target PABX version.
Treasury Corporation of Victoria	Gresham IT contract	$840,723	The project originally had a 12 month implementation period ending December 2008. Implementation is now anticipated to occur in the second quarter of 2010. While delivery of software enhancements to meet Australian market conventions has been slower than anticipated, the software appears likely to meet TCV's requirements.
	IT procurement project (IT&E)	$408,000	The project, which is a core system, was implemented in June 2009. Implementation was originally anticipated to occur in November 2007. While the delivery of the software was behind schedule, in general terms the services were in line with the contract and the software met TCV's requirements.
South East Water	Pakenham Sewage Treatment Plant Organic Capacity Upgrade	$3.6 million for the two main contracts that comprise the project	The original contract completion date was February 2009. The works were operationally completed in May 2009. Delays were mainly caused by slow delivery by the main equipment supplier.
	Customer Information System Infrastructure replacement	$600,000	Planned end date: 28 May 2009 Actual end date: 26 August 2009
	ICE Process Engine Migration and Targeted Improvements Project	$400,000	Planned end date: April 2010 Forecast: July 2010
Department of Transport	Metropolitan Train Communication System	$23.6 million	During 2008-09 the major milestone completed was 'contract award'. This milestone was achieved later than planned due to protracted negotiations with the contractor. This resulted in the project ready for use date being extended to December 2011.

Agency	Procurement contract	Expenditure 2008-09	Reason
Parliamentary departments	Heritage Asset Management Strategy Phase 1	$6.647 million life to date costs incurred to 30 June 2009	The original funding granted for the program for a three year period has been extended to four years, primarily due to: • sitting patterns of the Parliament preventing work being carried out on a continuous basis; • the ability to source stone for the restoration project was more complicated than that originally envisaged; and • the condition of the stone fabric of the Parliament was a lot worse than that originally anticipated.

Sources: Department and agency responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One

In addition, with regard to the implementation of the Health*SMART* Program, the Department of Human Services informed the Committee that in some cases timelines have altered when health services have advised that they were not ready to implement the system. The Department also indicated that although there have been delays with some projects, particularly with clinical systems, the scale of the program provides for re-prioritisation and adjustment of the overall program schedule to minimise any potential budget impact.[136]

6.5.3 Corporate/annual/business planning

Given that procurement is a critical business process for Government directly affecting the quality and cost-effectiveness of services provided to the public, overseas experience shows that a core procurement governance objective is to raise the profile of procurement so that it is recognised as a strategic function within public sector organisations.[137]

While major procurement contracts were listed, the Committee looked for, but did not find, evidence to indicate that objectives, planned timelines and key deliverables for major procurement contracts were included in planning documents of agencies such as corporate or annual/business plans. The Committee has noted in previous inquiries as well as in the current examination of outcomes that for some procurement activities, initial timelines have been extended by agencies.

Recommendation 16: To enhance accountability for, and strengthen the control environment over, the delivery of major procurement contracts on time, all departments and government agencies include objectives, planned milestones and key deliverables in their corporate and annual/business plans.

136 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 18 January 2010, p.32

137 British Columbia, Ministry of Finance, Office of the Comptroller General, *Procurement Government Office 2008/09-2010/11 Service Plan*, p.5

6.6. Quality of service

6.6.1 Criteria for maximising quality

Good practice procurement literature indicates that for large and complex procurement, '*quality requirements should reflect minimum functional requirements and be clear*'.[138] According to the UK National Audit Office, '*better value for money from procurement can be achieved in many ways, for example ... introducing incentives into the contract to ensure continuous cost and quality improvements throughout its duration...*'[139]

6.6.2 Overall findings

Most agencies indicated that the quality of service provided had been at the standard required by the contract or in line with expectations/schedules. Some of the factors identified by agencies that adversely impacted on quality of service delivery related to contractor resourcing issues. For example, Southern Health informed the Committee that the Patient and Client Management System has resourcing issues due to the number of agencies going live with the system and the supplier's ability to implement and fix the system simultaneously.[140]

Victoria Police also had issues in regard to the level and quality of service provided under the IT contract known as *Tower 2: Desktop and Local Area Network IT Services* (actual expenditure 2008-09, $9.7 million).[141]

Of the recommendations made by the Ombudsman Victoria in November 2009 in the investigation into the tendering and contracting of information technology services within Victoria Police, the Committee believes that adoption of the following recommendations at wider agency levels would improve the quality of procurement processes and strengthen controls over associated risks:[142]

- Victoria Police develop and implement a policy that prohibits adjustment to any contracts over a specified monetary value without prior approval, according to Victorian Government Purchasing Board Procurement Policies; and

- Victoria Police establish and appropriately resource a central major projects management facility to be responsible for the procurement and major contract management responsibilities allocated to the Business Information and Technology Services Department, Procurement Management Division and other areas of Victoria Police.

138 Victorian Auditor-General's Office, *Public Sector Procurement, Turning Principles into Practice*, October 2007, p.7

139 United Kingdom, National Audit Office, *Getting value for money from procurement*, 2001, p.4

140 Southern Health, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, p.13

141 Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2009, p.50

142 Ombudsman Victoria, *Own motion investigation into the tendering and contracting of information and technology services within Victoria Police*, November 2009, p.9

6.7. Risk management

6.7.1 Criteria for managing procurement risk

According to the Victorian Department of Treasury and Finance, '*any factor that has the potential to place in jeopardy departmental procurement objectives (policy, probity, fitness for use and value for money) constitutes a risk*'. The Department views that '*a full risk allocation matrix, including consequences and likelihood analyses and mitigation strategies, is a fundamental component of the commercial principles that need to be outlined in business cases*'.[143]

The Committee also noted that the Department regards '*risk assessment as necessary to provide a clearly defined judgement on the severity of risks in terms of their effect on the achievement of defined goals and to define the methods by which the effects of risk events occurring can be reduced*'. According to the Department, for complex and/or high value procurement projects such as State purchased contracts, the identification of risks which affect both purchaser and provider is an ongoing process which should commence with the development of the draft specification. [144]

The Committee noted that a comprehensive set of standard Victorian Government risk management processes, outlined in guidelines issued by the Department of Treasury and Finance, includes a framework for considering both the exposures to continued business risk and opportunities for managing such risks.[145]

Research undertaken by the Committee revealed that when making procurement decisions, consideration also needs to be given to the risk that key outputs are not delivered on time, to budget and of appropriate quality.

Overseas literature confirms that whether in conventional procurement, market-testing or some form of public-private partnership, value for money considerations should involve an assessment of risk and an appropriate allocation of risk between contracting parties.[8]

According to the Victorian Auditor-General, '*all procurement involves a degree of risk*'. It should be noted that the Auditor-General states that '*the management of risk is relevant to all phases in the procurement cycle and relates to both the procurement process and to the nature of what is being procured*'. One of the tasks in developing a procurement strategy involves '*identifying and assessing the potential risks associated with the procurement and developing risk management strategies. Value for money is maximised by allocating risk optimally*'.[146]

In covering the issue of procurement risk, the Committee was therefore interested in understanding how risks were identified and managed by agencies.

143 Department of Treasury and Finance, *Good Practice Guidelines, State Procurement – General*, June 2009, p.24

144 Department of Treasury and Finance, *Good Practice Guidelines for Developing a State Purchase Contract Business Case*, June 2009, p.28

145 ibid., pp.29-33

146 Victorian Auditor-General's Office, Public Sector Procurement, Turning Principles into Practice, October 2007, pp.3, 11

6.7.2 Overall findings

All agencies had processes in place for identifying and managing risks associated with procurement. Common avenues included the development of risk registers, risk management plans, the use of the PRINCE2 project management methodology, conduct of financial due diligence checks, project teams reporting to particular committees and meetings with service providers.

6.7.3 Risks associated with procurement that are critical to the achievement of organisational outcomes

The Committee is of the view that because large-scale procurement contracts will often impact on the efficiency and effectiveness of service delivery of outputs and the achievement of agency goals and outcomes, it will be important for agencies to continue to institute controls over large-scale procurement which monitor on a continual basis whether:

- risk assessments are being carried out in an appropriate manner; and
- procurement risks are being reviewed and managed effectively.

This is an area where overseas experience suggests that agencies can utilise the services of internal audit.[147]

Recommendation 17: **To enhance procurement governance and maximise financial and performance outcomes across the public sector, the Department of Treasury and Finance encourage agencies to consider using their internal audit function to evaluate on an ongoing basis, for large-scale procurement contracts, whether:**

(c) risk assessments are being carried out in an appropriate manner; and

(d) procurement risks are being reviewed and managed effectively.

147 UK National Audit Office, *Getting Value for Money from Procurement*, p.13

6.7.4 Monitoring of risks on an ongoing basis

The Committee noted what appeared to be several good examples of where risks were monitored on an ongoing basis. For example, at the Department of Education and Early Childhood Development:

- as part of managing the Wireless Network in Primary Schools Refresh contract (expenditure of $7.4 million incurred in 2008-09), risks are reviewed by the Project Team on a fortnightly cycle and risks and issues updated, added or deleted from the risk register accordingly, depending on the status of each item;[148] and
- with regard to the Ultranet procurement contract (expenditure of $13.4 million incurred in 2008-09), while a Risk Management Plan includes a risk register and contingency planning, risks are monitored by the Project Team on a weekly basis and by the Project Board on a fortnightly basis. An external independent risk review has been completed and the risk register updated to reflect the risks identified in the review.[149]

6.7.5 Risk sharing

A good example of risk sharing cited by the Committee in a service specific contract related to the contract entered into with Grocon for the clean up of the bushfire sites after the February 2009 bushfires. In this instance, the principal retained most of the risk relating to performing pursuant to the requirements of the schedule and the overall costs, while the contractor assumed the risks relating to quality, construction liability, administration, contract management and value for money.[150]

In another example, at VicRoads with regard to the Freeway Management System (expenditure of $20.5 million), risk reviews were conducted during the development of the contracts. Risks were then either allocated to the contractor using quality assurance based contracts, or managed directly in order to minimise exposure to the time and cost.[151]

6.8. Accountability framework

6.8.1 Criteria for establishing strong accountability for procurement

According to the Victorian Auditor-General, accountability in the public sector calls for personnel entrusted with public resources to operate in accordance with clear objectives in a transparent manner, accept responsibility for their actions, seek to achieve the best use of resources and avail themselves to appropriate scrutiny.[152] Further, procurement principles advocated by the Government require a level of accountability commensurate with appropriate levels of authority and responsibility.[153]

148 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.18

149 ibid., p.19

150 Department of Premier and Cabinet, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 7 December 2009, p.15

151 Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 9 December 2009, p.42

152 Victorian Auditor-General's Office, *Public Sector Procurement, Turning Principles into Practice*, October 2007, p.3

153 Victorian Government, Public Finance and Accountability Bill 2009, cl. 9 (b)

6.8.2 Overall findings

The Committee asked agencies to outline the accountability framework that was in place in relations to its largest procurement contracts. Many agencies indicated that the accountability framework and performance measures were described in the procurement contract, which included a schedule of service deliverables.

6.8.3 Central level

The Committee noted that to facilitate openness and probity in Victorian Government contracts, a Central Register of Major Government Contracts has been established. This new resource enables major contracts awarded by the Victorian Government since 1992 to be downloaded and reviewed. It is understood that contracts are to be progressively published on the register after discussions with private sector firms have been completed. In this regard, however, the Government has advised that it has been necessary to withhold certain parts of the contracts listed on the Central Register of Major Contracts from disclosure due to the existence of long-standing confidentiality clauses prior to 2000. In other (very limited) cases, it has advised that disclosure would be contrary to the public interest.[154]

6.8.4 Agency level

Various good examples of strong accountability mechanisms were provided to the Committee. Examples of good practice are set out below.

For some IT procurement contracts, procurement governance arrangements involved the creation of a Control Board and Reference Group. For example, the Department of Planning and Community Development formed a Project Control Group to preside over its eGrants Project. Members provided strategic and operational direction to the project from business and technical perspectives, as well as an escalation path for risks and issues. Regular reports on eGrants project delivery were provided to the Project Control Board. An eGrants Reference Group was also established with representatives from across the business. This Group met with the project team regularly to review requirements and specifications, assist with user acceptance testing and ensure that appropriate business input was incorporated.[155]

In relation to the contract for the delivery of Australian Exhibitions and Conferences – State of Design Festival, the Department of Innovation, Industry and Regional Development was assisted in developing standards and monitoring delivery by an external expert reference group. Appropriateness, effectiveness and efficiency in delivery of the 2008 Festival was determined through an independent evaluation and economic impact report.[156]

The Committee believes that when standards are developed for the purpose of promoting quality of service delivery and holding agencies accountable, it is essential that appropriate market or current agency benchmarks are used to ensure best practice is applied.

154 Victorian Government, <htttp://www.contracts.vic.gov.au/major/contracts>, accessed 5 January 2010

155 Department of Planning and Community Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 23 December 2009, p.17

156 Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 15 December 2009, p.16

CHAPTER 7: FISCAL STIMULUS PACKAGES AND GRANTS 2008-09

Key findings of the Committee:

7.1 **The Committee's analysis showed that $215.2 million or 45 per cent of the total grants received by Victoria in 2008-09 ($476.7 million) under the Commonwealth's Economic Stimulus Plan had been spent by 30 June 2009.**

7.2 **The Committee was advised by the Department of Treasury and Finance that the expenditure of economic stimulus plan grants in 2008-09 was affected by:**

- **the timing of when grants were received from the Commonwealth;**
- **the need to finalise the planning associated with the capital expenditure; and**
- **the public tendering process that was required to be completed prior to construction commencing.**

7.3 **In the majority of cases, Victoria met or exceeded the deadlines set by the Commonwealth for the work to be undertaken under the Nation Building – Economic Stimulus Plan during 2008-09.**

7.4 **In relation to implementing the Building the Education Revolution – Primary Schools of the 21st Century stream of the Plan, tenders for approximately 480 government schools in round 2 were released by the Department of Education and Early Childhood Development on 30 June 2009 ahead of the Commonwealth target.**

7.5 **The Committee noted that with regard to Building the Education Revolution – Primary Schools of the 21st Century: Non-government schools component of the Plan, 27 Catholic schools were awaiting planning permits from the Department of Planning and Community Development as at 30 June 2009.**

7.6 **Overall, based on the information provided by departments involved in administering the Economic Stimulus Plan, risk management is an area of project management that has been addressed in implementing the economic stimulus measures.**

7.7 **The Committee found that departments had engaged project management expertise for implementing Victoria's component of the Plan and reporting systems were in place.**

7.8 **It is not clear what role, if any, state auditors-general might have in auditing outcomes under the Commonwealth's stimulus package.**

7.1. Introduction

The Committee, in its *Report on the 2009-10 Budget Estimates – Part Two*, drew attention to the release by the Commonwealth Government on 3 February 2009 of its $42 billion *Nation Building and Jobs Plan* and Victoria's estimated share of the funding for 2008-09 and 2009-10 under various revenue streams[157]. The provision of timely economic stimulus is aimed at improving nation building and supporting economic growth and jobs.[158] A centrepiece of the Commonwealth Government's response to the global economic downturn, the Plan complemented earlier initiatives introduced by the Commonwealth such as the Australian Government Economic Security Strategy and Nation Building packages.[159]

The Committee noted that the Plan included grants through the State for investment in schools, housing, roads and community infrastructure.[160]

The 2009-10 State Budget revealed that approximately $5.0 billion would be provided by the Commonwealth to Victoria between 2009-10 and 2011-12 for the *Nation Building – Economic Stimulus Plan.*[161]

In reviewing developments connected with the COAG Reform Agenda, the Committee noted with interest in its October 2009 estimates report that according to the *Communique* of 2 July 2009, construction activity was underway across all infrastructure elements of the Plan nationally, with a significant surge in new construction during June–July 2009 in schools, social housing and community infrastructure programs. The Committee foreshadowed in its 2009-10 Budget Estimates report that, as it would be important for the national reforms that build the economy's productive capacity to be implemented in a prompt manner, the Committee would examine in its outcomes report for 2008-09 how Victoria performed in terms of fulfilling its obligations to the Commonwealth under the Plan.[162]

The Committee's analysis of Victoria's involvement in the *Nation Building – Economic Stimulus Plan* in the context of financial and performance outcomes for 2008-09 consisted of the following lines of inquiry:

- disclosing a breakdown of the actual quantum of grants received during 2008-09 according to the various funding streams per department, together with the amount of funding that remained unspent at 30 June 2009 under each category;
- outlining a consolidated position of how Victoria performed in 2008-09 against established timelines for each element of the Plan;
- identifying risk management processes employed by the departments involved in implementing the Plan;
- examining the project management skills available to administer the Plan;

157 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates – Part Two*, October 2009, pp.4–5, 78

158 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, p.209

159 Australian Government, *Nation Building – Economic Stimulus Plan, Commonwealth Coordinator-General's Progress Report to 31 December 2009*, February 2010, p.iii

160 ibid., p.17

161 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, p.209

162 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates – Part Two*, October 2009, p.81

- describing the reporting systems in operation to manage the program; and
- exploring the compliance role of the Auditor-General.

The Committee observed that COAG noted in December 2009 that the *Nation Building – Economic Stimulus Plan* was progressing well and achieving positive outcomes in terms of supporting employment, fostering confidence in the economy and building vital infrastructure.[163] In commenting on progress achieved to 31 December 2009 from implementing the Economic Stimulus Plan, the Committee noted that according to the Commonwealth Coordinator-General:[164]

- unemployment was expected to peak around 1.5 percentage points lower than in the absence of the stimulus;
- the measures implemented by the Government had contributed to a rebound in confidence in the economy (in November 2009, retail turnover was 7.3 per cent higher than the pre-stimulus levels of November 2008); and
- over an 11 month period, 49,000 construction and infrastructure projects had been approved by the Commonwealth (over 34,000 projects were underway and over 8,300 projects were completed).

7.2. Expenditure achieved by 30 June 2009

The total amount of grants received under the Commonwealth's 2008-09 Economic Stimulus Plan and associated spending are shown in Table 7.1. With the exception of $8.2 million for government schools under the National Schools Pride program, the Commonwealth's 2008-09 Economic Stimulus Plan grants were provided to fund capital expenditure. As shown in Table 7.1, $215.2 million or 45 per cent of the total grants received in 2008-09 were expended by 30 June 2009. The Committee was advised by the Department of Treasury and Finance that the achievement of expenditure was affected by:[165]

- the timing of when grants were received from the Commonwealth;
- the need to finalise the planning associated with the capital expenditure; and
- the public tendering process that was required to be completed prior to construction commencing.

163 Council of Australian Governments, COAG Communiqué, 7 December 2009, pp.12–13

164 Australian Government, *Nation Building – Economic Stimulus Plan*, *Commonwealth Coordinator-General's Progress Report to 31 December 2009*, February 2010, pp.7–8

165 Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 10 December 2009, p.11

Table 7.1: Economic Stimulus Plan grants received and associated spending 2008-09

Department/funding stream	2008-09 revised estimate ($ million)	Grants received ($ million)	Grants spent in 2008-09 ($ million)	Carried over ($ million)
Education				
Building the Education Revolution	235.0	260.7	131.6	129.1
Total Education	*235.0*	*260.7*	*131.6*	*129.1*
Human Services				
Housing	64.4	64.4	64.4	0.0
Total Human Services	*64.4*	*64.4*	*64.4*	*0.0*
Transport				
Nation Building program – Black Spot Program	21.1	31.6	9.8	21.8
Nation Building program – Road	[(a)]	100.0	9.4	90.6
Nation Building program – Rail	[(a)]	20.0	0.0	20.0
Total Transport		*151.6*	*19.1*	*132.4*
TOTAL		476.7	215.2	261.5

Note:

(a) Budget Paper No.4, 2009-10 Statement of Finances, does not differentiate between funding for agreed rail and road projects to be delivered under the Nation Builidng Program and National Network construction projects formerly named AusLink II.

Source: Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes questionnaire – Part Two, p.12; Department of Treasury and Finance, Budget Paper No.4, 2009-10 Statement of Finances, pp.209–10

7.3. Expenditure performance

In order to provide a consolidated position for the state, the Committee requested the Department of Treasury and Finance to advise the Committee on how Victoria performed in 2008-09 against indicative timelines with regard to the Economic Stimulus Plan's revenue streams. Feedback provided to the Committee is set out in Table 7.2.

The Committee found that in the majority of cases, Victoria met or exceeded the deadlines set by the Commonwealth for the work to be undertaken under the *Nation Building – Economic Stimulus Plan* during 2008-09. In relation to implementing the Building the Education Revolution – Primary Schools of the 21st Century stream of the Plan, tenders for approximately 480 government schools in round 2 were released by the Department of Education and Early Childhood Development on 30 June 2009 ahead of the Commonwealth target. The Committee noted, however, that with regard to the Building the Education Revolution – Primary Schools of the 21st Century: Non-government schools component of the Plan, 27 Catholic schools were awaiting planning permits from the Department of Planning and Community Development as at 30 June 2009.

Table 7.2: Nation Building – Economic Stimulus Plan Victoria's performance compared to timelines 2008-09

Department/revenue stream under the Plan	Progress made in implementing the Plan
Department of Education and Early Childhood Development	
Building the Education Revolution – Primary Schools of the 21st Century	• Contracts awarded for 235 of the 243 government schools in round 1 (8 jointly-funded projects were moved to round 2). Work commenced on these sites by 30 June 2009 which met the Commonwealth deadline. • Tenders for approximately 480 government schools in round 2 were also released on 30 June 2009 ahead of the Commonwealth target.
Building the Education Revolution – Primary Schools of the 21st Century: Non-government schools	• The majority of the 118 non-government schools in round 1 commenced construction by 30 June 2009. • 27 Catholic schools were awaiting planning permits from the Department of Planning and Community Development.
National Schools Pride Program – government and non-government schools	• All round 1 National School Pride projects commenced before 1 July 2009 at 1,462 schools which met the Commonwealth deadline.
Department of Human Services	
Social Housing	• In complying with the Commonwealth deadline for housing construction work to commence during 2009, 64 of 667 round 1 dwellings had started by 30 June 2009 with three dwellings completed.
Department of Transport	
Black Spot Program/Boom Gates	• The Commonwealth target for site works to have started on Black Spot and Boom Gates programs was achieved in 2008-09.

Source: Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 12 February 2010, pp.7–8

7.4. Risk management processes

By way of background, the Committee drew on the following comments made by the Commonwealth Coordinator-General with regard to the application of risk management processes to the implementation of the Economic Stimulus Plan:[166]

> *Given the size, complexity and short timeframes for delivery of the Plan, it is essential that robust mechanisms are in place to identify and manage risk, to ensure that the Plan meets the Government's timing for supporting the Australian economy and the expectations of the Australian community.*

166 Australian Government Nation Building Economic Stimulus Plan, *Commonwealth Coordinator-General's Progress Report 3 February 2009 – 30 June 2009*, July 2009, p.56

In terms of the role that state jurisdictions have in risk management, the Commonwealth Coordinator-General stated that Commonwealth and State and Territory Coordinators-General play a key leadership role in monitoring the Plan's implementation. This includes identifying and working through cross-Plan strategic risks. Strategic risks that have been identified include:[167]

- capacity within the construction sector;
- ensuring the Plan remains on track and within budget; and
- ensuring probity and dealing with fraud-related risks.

Importantly, the Commonwealth Coordinator-General mentions that a significant safeguard is the use, by Commonwealth and State and Territory government agencies, of existing or modified risk management strategies and procurement practices when managing risks associated with delivering projects.[168]

Against this backdrop and given the importance of cushioning Victorians from the worst impacts of the global economic recession, the Committee was interested in asking departments about the risk management processes that had been employed with regard to implementing the economic stimulus measures.

Overall, based on the information provided by the departments involved in administering the Economic Stimulus Plan, risk management is an area of project management that has been addressed by departments in implementing the economic stimulus measures.

The Committee was informed by the Department of Education and Early Childhood Development that the overall delivery of the Building Education Revolution program is overseen by the Victorian Economic Stimulus Plan Coordinator-General as well as a dedicated project board. This board comprises senior officers from the Department and central agencies. In view of the size and scale of the program, the Department advised that a program management organisation has been engaged to manage the overall delivery of the program. In partnership with the Department, this organisation is involved in:[169]

- identifying and managing the risks associated with the program;
- overseeing the successful delivery of projects across the state; and
- managing the program and project reports to the Commonwealth.

The Committee noted that a Social Housing Partnership Steering Committee, whose membership includes executives from the Department of Premier and Cabinet, Department of Treasury and Finance, Department of Planning and Community Development and Department of Human Services, has been established to oversee the *Nation Building Social Housing Initiative*.

167 Australian Government Nation Building Economic Stimulus Plan, *Commonwealth Coordinator-General's Progress Report 3 February 2009 – 30 June 2009*, July 2009, p.56

168 ibid.

169 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.21

Designed to ensure the delivery of the Social Housing component of the *Nation Building and Jobs Plan National Partnership* and the *Social Housing National Partnership*, the role of the Committee is to provide advice, guidance and coordination to the Victorian Housing Coordinator in terms of:[170]

- meeting timeframes, goals and priorities agreed between the Victorian Government and COAG; and
- risk management process.

The Department of Human Services made specific reference to the implementation of a risk identification and management process which:[171]

- identifies the key risks to the delivery of projects;
- evaluates risk severity; and
- proposes strategies to mitigate the risk.

Presented to the Steering Committee fortnightly and reviewed and adjusted accordingly, this approach forms an integral part of project management.[172]

The Department of Transport advised the Committee in relation to stimulus packages provided by the Commonwealth of $151.6 million in 2008-09 for regional road maintenance, treatment of road black spots and upgrade of boom gates that '*programs have well established risk management processes*' in place.[173]

The Committee expects that over the Plan's duration, risk management processes will cover the identification and management of risks to the community.

7.5. Project management skills

With a view to ensuring that the planned outcomes to be derived from the Economic Stimulus Plan are achieved on time and within budget, the Committee maintains that it is imperative that departments have a resource capability that possesses sound project management skills.

The Committee found that departments had engaged project management expertise for implementing Victoria's component of the Plan.

The Department of Education and Early Childhood Development told the Committee that, in recognising the need to ensure projects are delivered within unprecedented timelines, four project management firms have been engaged to manage the delivery of *Building the Education Revolution: Primary Schools for the 21st century* projects and *Science and Language Centre* projects across schools in defined geographic areas. In selecting these project managers based on their knowledge and expertise, they are responsible for undertaking a wide range of tasks which

170 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 18 January 2010, p.35

171 ibid.

172 ibid.

173 Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 9 December 2009, p.45

comprise coordinating the finalisation of designs, completing contract documentation, tendering project works, overseeing building contracts and liaising with schools.[174]

The Committee was advised by the Department of Human Services that, in order to deliver the social housing program funded under Nation Building, a team of appropriately qualified project managers, with extensive experience in the development and construction industry covering high, medium and low density construction, have been engaged by the Department.[175]

Experts in the field have been engaged by the Department of Transport to undertake the programs funded under the Plan.[176]

7.6. Reporting systems

As referred to throughout this chapter, at the national level, the Commonwealth Coordinator-General has issued two progress reports – the first from 3 February 2009 (the inception of the Economic Stimulus Plan) to 30 June 2009 and the most recent which covers the period to 31 December 2009. The Commonwealth Coordinator-General tables these reports at COAG meetings on behalf of all Coordinators-General updating COAG on progress of the Plan.

With regard to reporting systems at a state level by departments, the Committee was informed that:

- at the Department of Education and Early Childhood Development, a customised information management system had been developed to enable the Department to meet its reporting requirements to the Commonwealth;[177]
- an extensive reporting system, which includes monthly and quarterly reporting to the Commonwealth, is in place at the Department of Human Services. Monthly reporting provides information relating to the progress of projects, the achievement of milestones and expenditure, while issues and risks are reported on a quarterly basis. In addition, at the State level, project progress and achievements against milestones are tracked in weekly reports. On a monthly basis, a state level status report provides an overview of progress for the month, issues and risks as well as forecasts for project delivery and expenditure;[178] and
- existing systems at the Department of Transport meet the reporting requirements of both the Commonwealth and program management.[179]

174 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.21

175 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 18 January 2010, p.35

176 Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 9 December 2009, p.45

177 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.21

178 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 18 January 2010, p.35

179 Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 9 December 2009, p.45

The Committee believes that as the Economic Stimulus Plan unfolds, the Department of Treasury and Finance should publish a consolidated progress report annually that discloses the outcomes derived for Victoria from implementing the economic stimulus measures.

Recommendation 18: The Department of Treasury and Finance publish on an annual basis an outcomes report that discloses how Victoria has progressed in terms of achieving the aims of the Nation Building Economic Stimulus Plan.

7.7. Auditing of the stimulus package

The Committee is interested in ascertaining what role state auditors-general might have in auditing outcomes under the Commonwealth stimulus package.

The Committee noted that on the subject of ensuring probity and dealing with fraud risks, the Commonwealth Coordinator-General has reported that:[180]

> *The administration of programs of the types in the Plan are the core business of Commonwealth agencies and they have many years of experience in these areas and existing internal departmental systems for monitoring and managing these issues. Agencies are working within relevant legislation and standards, including the Financial Management Act and their own Chief Executive Instructions for management of funds and fraud control. The Plan is also subject to review by the Auditor-General. States and Territories governments work within similar legislative and accountability arrangements.*

In extending this role from a pure financial base to one of auditing program outcomes, the Committee plans to consider this matter further in discussions with the Victorian Auditor-General.

180 Australian Government Nation Building Economic Stimulus Plan, *Commonwealth Coordinator-General's Progress Report 3 February 2009 – 30 June 2009*, July 2009, p.60

CHAPTER 8: STATE DEBT

Key findings of the Committee:

8.1 **Net debt in the general government sector grew from $2.2 billion to $5.4 billion and from 0.8 per cent of GSP to 2.0 per cent of GSP. Net debt plus superannuation liabilities grew from 5.6 per cent of GSP to 9.7 per cent in 2008-09.**

8.2 **Net debt of the non-financial public sector in Victoria, which combines the general government and public non-financial corporations sectors, increased from $3.9 billion at 30 June 2008 (1.4 per cent of GSP) to $10.7 billion (4.0 per cent of GSP) at 30 June 2009, an increase of $6.8 billion or 174.4 per cent.**

8.3 **The increase in net debt reflects the State's substantial additional capital infrastructure program, aimed at stimulating economic growth and securing jobs, while enhancing the State's productive capacity over the longer term.**

8.4 **The Committee flagged the importance for the Government to closely monitor its budgetary position over the forward estimates period. The aim should be to prevent net debt levels from adversely impacting on the operating result and overall financial position of the State.**

8.5 **The Committee found that Victoria's net debt as a percentage of GSP at 30 June 2009 (4.0 per cent) was substantially lower than that of New South Wales (7.8 per cent).**

8.6 **The key measures of the general government sector's financial position are net debt and net financial liabilities. In this regard, Moody's Investors Service cited Victoria's strong balance sheet, diversified economy and prudent financial management as key reasons for reaffirming Victoria's triple-A rating in January 2009.**

8.7 **The level of State borrowings increased from $18.0 billion at 30 June 2008 to $25.8 billion at 30 June 2009, an increase of $7.8 billion or 43.3 per cent. Borrowings in the Australian market standing at $17.9 billion formed the largest component (69.3 per cent) of total moneys borrowed by the Victorian Government as at 30 June 2009.**

8.8 **With regard to the increase in borrowings of $7.8 billion from 30 June 2008 to 30 June 2009, the Committee noted that in terms of current borrowings, major movements occurred in foreign currency borrowings (an increase of $1.9 billion or 602 per cent) and derivative financial instruments (an increase of $2.1 billion or 539.5 per cent). Domestic borrowings of a non-current nature increased by $4.9 billion or 47.3 per cent.**

8.9 **The $7.8 billion increase in borrowings between 30 June 2008 and 30 June 2009 included $2.2 billion in derivative financial instruments (an increase of $2.1 billion in current borrowings and $0.1 billion in non-current borrowings) to hedge risks relating to foreign currency borrowings, and domestic and foreign currency borrowings amounting to $5.0 billion largely to fund capital projects relating to the education, water, transport and health sectors.**

8.10 **The Government discloses performance against a wide range of indicators in its Annual Financial Report that relate to net debt and borrowings.**

8.11 **In relation to measuring the level of sustainable debt (i.e. level of debt that can be repaid, principal and interest, given economic growth, interest rates and the future surplus generating capacity of the State), the ratio of borrowings and the superannuation liability to GSP for each sector has increased from 30 June 2008 to 30 June 2009 due to increased levels of gross State debt. From a whole of government perspective, the ratio increased from 11.5 per cent to 17.3 per cent over this period.**

8.12 **The increase in the Financial Sustainability and Flexibility ratios connected with net debt and borrowings as at 30 June 2009 compared to the prior year was largely due the raising of additional finance to fund, in part, the State's additional capital infrastructure program.**

8.13 **As the Government predicts that the net result from transactions will increase from $262 million in 2009-10 to $925 million in 2010-11, $739 million in 2011-12 and $1.8 billion in 2012-13, the Department of Treasury and Finance advised that such results will reduce the need to call on financial markets for borrowings. As revenues and GSP increase, debt ratios are expected to decline.**

8.14 **The Department of Treasury and Finance informed the Committee that there was nothing to indicate that the current level of borrowings posed any specific risk in terms of repayment.**

8.1. Introduction

In relation to the handing down the 2008-09 Victorian Budget, the Treasurer stated in the Budget speech delivered on 6 May 2008 that: [181]

> *...we continue to keep debt at prudent levels. Worldwide, many governments carry a level of debt to drive their economies and invest in the future. They would be negligent if they did not.*

The Committee has flagged the importance for the Government to closely monitor its budgetary position over the forward estimates period. The aim should be to prevent net debt levels from adversely impacting on the operating result and overall financial position of the State.[182]

According to the Treasurer, the Government's perspective is to strike an appropriate balance between the short-term imperative of supporting the Victorian economy during a severe downturn and the longer term goal of keeping government borrowings at a sustainable level.[183]

With this background in mind, this chapter includes an analysis of net debt (at the Commonwealth level, the state level and internationally), State borrowings, indicators of financial condition and management of debt and associated risks.

181 Department of Treasury and Finance, Budget Paper No.1, *2008-09 Treasurer's Speech*, p.3

182 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates – Part Two*, October 2009, p.29

183 Department of Treasury and Finance, Budget Paper No.1, *2009-10 Treasurer's Speech*, p.6

8.2. Net debt

The concept of net debt is the most commonly quoted and well known measure of a government's financial strength. One of the reasons is that it is part of everyday life for business and households. It is a measure that is internationally comparable as most OECD countries report on this item.[184]

Net debt is determined by deducting liquid financial assets from gross debt because in a period of financial difficulty, liquid assets would be readily available to redeem debt.[185] Net debt equals the sum of:[186]

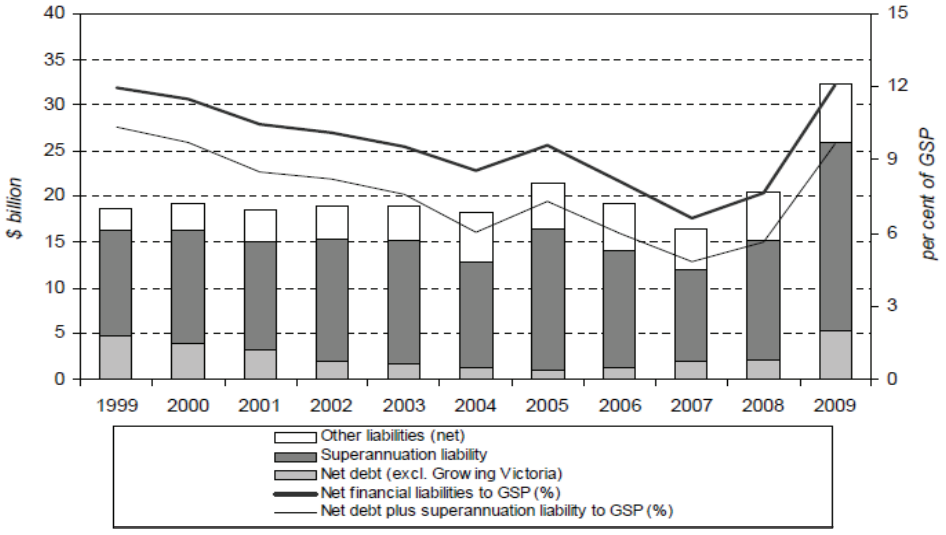
> *...deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements, and investment in general government sector entities using the equity method.*

The general government sector net debt grew by $3.1 billion in 2008-09, from $2.2 billion (0.8 per cent of GSP) to $5.3 billion (2.0 per cent of GSP) at 30 June 2009. The general government sector net debt plus superannuation liabilities grew from $15.1 billion (5.6 per cent of GSP) to $26.0 billion (9.7 per cent of GSP). As reported by the Government, the increase in general government sector net debt:[187]

> *...enabled Victoria to undertake a substantial capital investment program in 2008-09, supporting the State's recovery through the global financial crisis by creating and securing jobs for Victorians.*

Figure 8.1 shows the net debt, superannuation liability and other liabilities (net) along with the net financial liabilities to GSP and net debt plus superannuation liability to GSP.

Figure 8.1: General government net financial liabilities as at 30 June



Source: *Department of Treasury and Finance, Financial Report for the State of Victoria 2008-09, October 2009, p.3*

184 Australian Government, Budget Paper No.1, *2009-10, Statement 7: Asset and Liability Management*

185 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, p.27

186 ibid., p.202

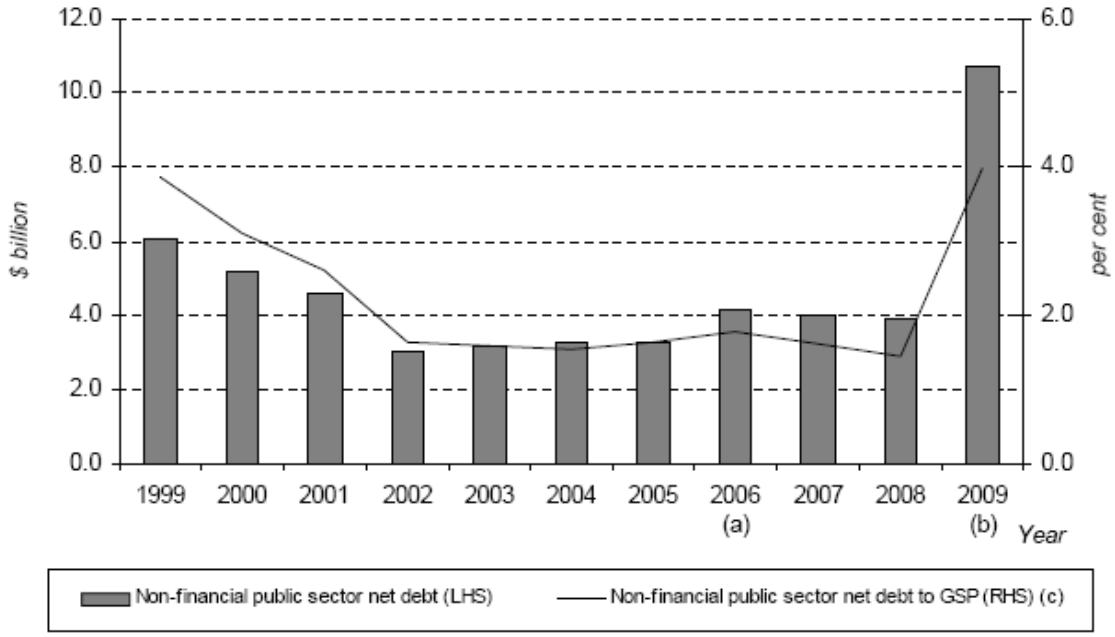
187 ibid., pp.26-27

Net debt of the non-financial public sector in Victoria, which combines the general government and public non-financial corporations sectors, increased from $3.9 billion at 30 June 2008 (1.4 per cent of GSP) to $10.7 billion (4.0 per cent of GSP) at 30 June 2009, an increase of $6.8 billion or 174.4 per cent.[188] This level of debt was evenly spread between the general government ($5.3 billion) and the public non-financial corporation sector ($5.4 billion) at 30 June 2009.[189]

Figure 8.2 shows a historical picture of the trend in net debt levels and net debt as a proportion of GSP for the non-financial public sector from 1999 to 2009. As reported by the Government, the increase during 2008-09 largely reflects:[190]

> *Additional debt required to fund the State's substantial capital infrastructure program, aimed at stimulating economic growth and securing jobs, whilst enhancing the State's productive capacity over the longer term.*

Figure 8.2: Non-financial public sector – net debt as at 30 June



Notes:

(a) 1999-2005 data are calculated under A-GAAP. 2006-2008 data are calculated under A-IFRS.

(b) 2009 data are calculated under AASB 1049.

(c) Historical figures are varied to reflect revisions to ABS estimates of the economy.

Source: Department of Treasury and Finance, Financial Report for the State of Victoria 2008-09, October 2009, p.37

The Committee found that Victoria's net debt as a percentage of GSP for the general government sector at 30 June 2009 (2.0 per cent) was slightly lower than that of New South Wales (2.2 per cent). Total general government sector net debt in New South Wales was $8.1 billion or 2.2 per cent of GSP at June 2009 compared to 1.6 per cent in June 2008.[191]

188 ibid., p.38

189 ibid., p.76

190 ibid., p.37

191 New South Wales Government, The Treasury, *New South Wales Report on State Finances,* 2008-09, p.i

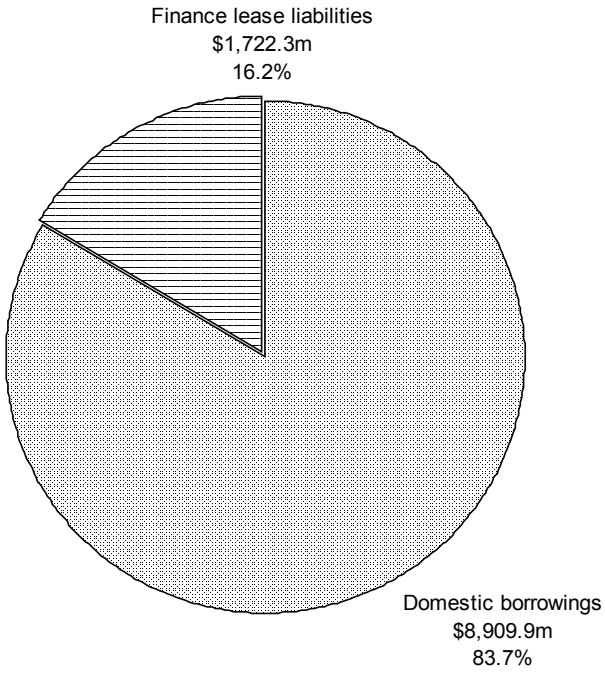
The Committee found that Victoria's net debt as a percentage of GSP for the non-financial public sector at 30 June 2009 (4.0 per cent) was substantially lower than that of New South Wales (7.8 per cent). Total State Sector net debt in New South Wales rose to $29.4 billion or 7.8 per cent of GSP in June 2009 compared to 6.1 per cent for June 2008 as a result of a record capital program in that state.[192]

The Committee noted the Government reports on the key measures of the general government sector's financial position of net debt and net financial liabilities and, in this regard, Moody's Investors Service cited Victoria's strong balance sheet, diversified economy and prudent financial management as key reasons for reaffirming Victoria's triple-A rating in January 2009.[193]

8.3. General government sector and State of Victoria borrowings

The level of general government sector borrowings increased from $7.8 billion at 30 June 2008 to $10.6 billion at 30 June 2009, an increase of $2.8 billion or 36.4 per cent.[194] As shown in Figure 8.3, which presents a breakdown of general government sector borrowings as at 30 June 2009, borrowings in the Australian market standing at $8.9 billion formed the largest component (83.7 per cent) of total moneys borrowed by the Victorian general government sector.

Figure 8.3: Composition of general government sector Borrowings 30 June 2009



Source *Department of Treasury and Finance, Financial Report for the State of Victoria 2008-09, p.113*

192 ibid.

193 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, p.26

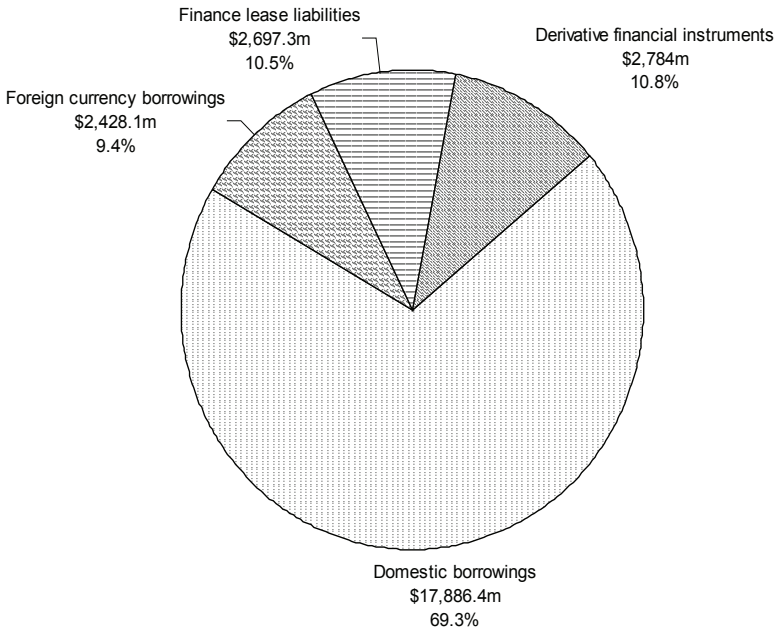
194 ibid.

With regard to general government sector borrowings, the Committee noted that major movements occurred in the following components:[195]

- Non-current borrowings – Domestic borrowings – an increase of $3.3 billion from $5.0 billion to $8.3 billion or 66.0 per cent; and
- Non-current borrowings – Finance lease liabilities –an increase of $0.4 billion from $1.3 billion to $1.7 billion or 31.4 per cent.

The level of State borrowings increased from $18.0 billion at 30 June 2008 to $25.8 billion at 30 June 2009, an increase of $7.8 billion or 43.3 per cent.[196] As shown in Figure 8.4, which presents a breakdown of State borrowings as at 30 June 2009, borrowings in the Australian market standing at $17.9 billion formed the largest component (69.3 per cent) of total moneys borrowed by the Victorian Government.

Figure 8.4: Composition of State Borrowings 30 June 2009



Source: Department of Treasury and Finance, Financial Report for the State of Victoria 2008-09, p.113

With regard to State of Victoria borrowings, the Committee noted that major movements occurred in the following components:[15]

- Current borrowings – Foreign currency borrowings – an increase of $1.9 billion from $0.4 billion to $2.3 billion or 602 per cent;
- Current borrowings – Derivative financial instruments – an increase of $2.1 billion from $0.5 billion to $2.6 billion or 539.5 per cent; and
- Non-current borrowings – Domestic borrowings – an increase of $4.9 billion from $10.3 billion to $15.2 billion or 47.3 per cent.

195 ibid. p.113

196 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, p.47

The Auditor-General, in his *Report on the Annual Financial Report of the State of Victoria, 2008-09,* indicated that the State of Victoria borrowings included:[197]

- $2.2 billion in derivative financial instruments entered into to hedge risks relating to the foreign currency borrowings; and
- domestic and foreign currency borrowings amounting to $5.0 billion to fund primarily:
  - capital projects e.g. education renewal, water infrastructure, transport infrastructure, and health capital projects; and
  - the cost of dividends paid to the Department of Treasury and Finance of $154 million by the four metropolitan water bodies at lending rates of around 3 per cent.

The Committee noted that in comparing the current level of borrowings to historic levels, the Department of Treasury and Finance advised the Committee that:[198]

> *The current ratio of NFPS Net Debt to GSP of approximately 4 per cent is substantially lower than the 1962 level of 63 per cent, and is also lower than any subsequent year right through to 1998.*

At the national level, the Committee noted that net debt was low by international standards. According to the Australian Treasury, net debt is predicted to remain low by international standards and begin to improve once the budget approaches surplus. Net debt is projected to peak at 13.8 per cent of GDP in 2013-14, which is significantly smaller as a proportion of GDP than most other advanced countries. This is considerably lower than the 80 per cent net debt that the IMF predicts for countries such as the US, UK, Germany and France by 2014.[199]

At the State level, the Committee noted that in outlining the Victorian Government's agenda for 2010, the Premier stated, among other things, that:[200]

> *The good news is that Victoria has weathered the Global Financial Crisis better than most jurisdictions around the world…Our debt levels are among the lowest in the OECD.*

Victoria's ratio of net debt to GSP for the non-financial public sector of 4.0 per cent at 30 June 2009 is significantly lower than other advanced countries. Figure 8.5 shows how Australia's net debt compares by international standards as a proportion of GDP.

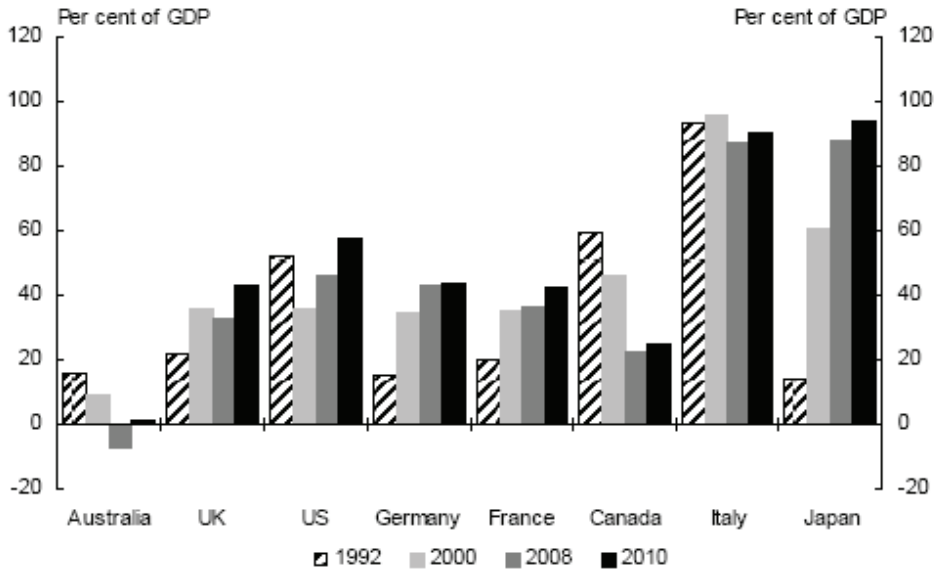
197 Victorian Auditor General, *Auditor General's Report on the Annual Financial Report of the State of Victoria, 2008-09*, p.32

198 Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 12 February 2010, p.13

199 Australian Government, Budget Paper No.1, *2009–10 Statement 3: Fiscal Strategy and Outlook*

200 Hon. John Brumby, Premier of Victoria, *2010 Statement of Government Intentions*, address to the Speaker and members of the Legislative Assembly, 2 February 2010, p.6

Figure 8.5: Australian and G-7 public sector net debt



Source: *Australian Treasury and OECD Economic Outlook No.84 (November 2008). Net debt figures are from the OECD Economic Outlook 84 except for Australia's 2010 figure which is the sum of the most recent forecasts for Australian, State and Territory general government sector net debt levels for 2009-10.*

8.4. Indicators of financial condition

The Committee noted that the Government discloses performance against various indicators in its Annual Financial Report that relate to net debt and borrowings. These are set out in Table 8.1.

Table 8.1: Indicators of financial condition that relate to net debt and borrowings

Ratio	30 June 2008 (per cent)	30 June 2009 (per cent)
General government sector		
Net debt to GSP	0.8	2.0
Net debt plus superannuation liabilities to GSP	5.6	9.7
Non-financial public sector		
Net debt to GSP	1.4	4.0
Net debt plus superannuation liabilities to GSP	6.3	11.7
State of Victoria		
Long-term borrowings to total assets	8.4	9.3
Total borrowings to total assets	12.0	13.3
Long-term borrowings to GSP	4.7	6.7
Total borrowings to GSP	6.7	9.6
Net debt plus superannuation liability to GSP	-0.4	6.1
Net debt plus superannuation liability to revenue	41.8	74.8
Borrowing costs to income from transactions	2.6	3.1
Superannuation expenses and borrowing costs to income from transactions	6.6	7.8

Source: *Department of Treasury and Finance, Financial Report for the State of Victoria 2008-09, October 2009, pp.27, 38–9*

An indicator sighted by the Committee that relates to debt sustainability (ratio of borrowings and the superannuation liability to GSP) is shown in Table 8.2. According to the Auditor-General, sustainable debt is the '*level of debt that can be paid back, principal and interest, given economic growth, interest rates and the future surplus generating capacity of the State'*.[201] Increased levels of gross State debt have resulted in an increase of this ratio at 30 June 2009 compared to the previous year.

Table 8.2: Debt sustainability: ratio of borrowings and the superannuation liability to GSP.

Ratio	30 June 2008 (per cent)	30 June 2009 (per cent)
State of Victoria	11.5	17.3
General government sector	7.7	11.6
Public non-financial corporations sector	2.1	2.9
Public financial corporations sector	6.2	8.7

Source: Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2008-09, p.33

The Committee observed that the increase in the Financial Sustainability and Flexibility ratios connected with net debt and borrowings as at 30 June 2009 compared to the prior year was largely due the raising of additional finance to fund, in part, the State's record capital infrastructure program.[202]

8.5. Management of debt and associated risk

8.5.1 Debt management strategy

With the level of borrowings for the State increasing from $18.0 billion in 2007-08 to $25.8 billion in 2008-09, the Committee was interested in ascertaining details concerning the Government's debt management strategy for reducing/retiring this level of debt over time.

The Department of Treasury and Finance informed the Committee that, notwithstanding this increase in borrowings, the Government continues to generate budget surpluses with substantial surpluses forecast out to 2012-13.[203] (The Committee noted that the Government predicts that the net result from transactions will increase from $262 million in 2009-10 to $925 million in 2010-11, $739 million in 2011-12 and $1.8 billion in 2012-13).[204] According to the Department, this level will reduce the need to call on financial markets for borrowings. As revenues and GSP increase, debt ratios are expected to decline.[205]

201 Victorian Auditor-General's Office, *Auditor-General's Report on the Annual Financial Report of the State of* Victoria, 2008-09, November 2009, p.33

202 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, pp.27, 38

203 Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 12 February 2010, p.13

204 Department of Treasury and Finance, *2009-10 Budget Update*, p.22

205 Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 12 February 2010, p.13

8.5.2 Risk management

From a risk perspective, the Committee inquired about whether the Government considered the current level of debt posed any risk to the State, the community and future generations in terms of repayment.[206]

The Committee was advised that there was nothing to indicate that the current level of borrowings posed any specific risk as:[207]

- budgets were still in surplus and were forecast to remain in surplus; and
- debt ratios remained comfortably below levels that may threaten the State's triple-A credit rating.

However, the Committee would welcome more reporting of risk management strategies in relation to allowances made for future contingencies and sensitivity analysis in relation to economic forecasts.

206 ibid.

207 ibid.

CHAPTER 9: VICTORIAN GOVERNMENT RESPONSE TO THE FEBRUARY 2009 BUSHFIRES

Key findings of the Committee:

9.1 **With regard to the February 2009 bushfires, a wide range of response and recovery activities were implemented by the Government and other parties to deal with the worst bushfires in Australia's history.**

9.2 **In conducting its inquiry, the Committee does not wish to pre-empt the findings of the Royal Commission which is due to deliver its final report on 31 July 2010. As such, the Committee has not analysed from a critical perspective the broad processes described by departments and related agencies that were applied in managing the response and recovery procedures for the February 2009 bushfires, nor asked for additional more comprehensive material to be supplied. The material outlined in this chapter is therefore offered for information purposes only.**

9.3 **Section 9.3 of this chapter provides a consolidated summary across departments of the activities funded by Government in 2008-09 according to the output funding outlined in the 2009-10 State Budget. This section should be read in conjunction with Appendix 1, which reproduces the material provided to the Committee by departments. The Committee believes that this chapter provides value as a reference tool for interested parties.**

9.1. Background

9.1.1 Severity of the 2009 bushfires

In terms of leading into this chapter by bringing to the forefront the severity of the bushfires of 7 February 2009, the Committee wishes to draw on the following findings of the 2009 Victorian Bushfires Royal Commission which was established on 16 February 2009:[208]

> *…7 February 2009 was a day of unprecedented tragedy in the State. One hundred and seventy-three people died in one of the worst bushfires in Australian history. About 430,000 hectares of land were burnt, along with 2,000 properties and 61 businesses. Entire towns were destroyed and around 78 communities were affected…*

9.1.2 Role of the Royal Commission

The Committee notes that the Victorian Government established a Royal Commission only nine days after the events that occurred on or around 7 February 2009, subsequently referred to as 'Black Saturday'.

208 2009 Victorian Bushfires Royal Commission, *Interim Report*, August 2009, p.v

The purpose of the Royal Commission in broad terms is to inquire into, and report on, the fires that burned in late January and February 2009 and recommend on policies for preparation and response to bushfire. Essentially the Royal Commission was established to ascertain what happened and determine, as far as possible, what needs to be done to reduce the likelihood of such loss of life again.[209]

In terms of timeliness of reporting given the 2009-10 fire season, it is significant that in setting up the Royal Commission, an interim report focusing on immediate actions that can be taken prior to the impending fire season was required to be furnished by 17 August 2009. The Committee also notes that an Interim Report 2 titled *Priorities for Building in Bushfire Prone Areas* was completed in November 2009 and the Commission's final report covering the full scope of the Commission's terms of reference is due on 31 July 2010.[210]

9.1.3 Continued interest by the Committee

Prior to the advent of the fires that burned in late January and February 2009, the Committee has shown a continued interest in the way in which Government has prepared for bushfires (fire prevention), responded to bushfires (fire suppression) and implemented recovery procedures. For example in earlier times, the Committee has inquired into:

- the Government's $70.6 million four year Bushfire Recovery Program that was established following the 2002-03 wildfires;[211]
- the capital component ($31.8 million) of the Bushfire Recovery Program;[212]
- fuel reduction burns;[213]
- the financial details of the bushfire recovery activities of the Government to June 2005.[214]

The Committee, in its *Report on the 2006-07 Financial and Performance Outcomes,* made reference to the 2006-07 summer bushfires in terms of the extent of burnt areas, fire fighting efforts, additional funding provided by Government, sources of other finance available to farmers and the importance of Government minimising the risk of adverse consequences for the State's financial condition that may flow from unplanned climatic events such as bushfires.[215]

In the Committee's most recent report on financial and performance outcomes of May 2009, the Committee commented on the bushfire topic in the following context:

209 ibid., p.3

210 ibid., p.ix

211 Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Outcomes*, April 2005, pp.300–4

212 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, pp.539–40

213 ibid., pp.541–2

214 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, April 2006, pp.335–8

215 Public Accounts and Estimates Committee, *Report on the 2006-07 Financial and Performance Outcomes*, May 2008, pp.45, 345, 400, 454, 626, 784, 787

- risk management;[216]
- bushfire recovery expenditure;[217]
- fire management on public land – number of fires, area affected and extent controlled to less than five hectares for the 2007-08 fire season;[218]
- agility to respond quickly to incidents of fire;[219]
- the need to review the adequacy of the balance held in the Victorian Natural Disasters Relief Trust Account, given the magnitude of the 2009 bushfires;[220]
- steps taken to minimise the impact of bushfires during 2007-08;[221]
- costs and budget variations connected with the 2007-08 bushfire season;[222]
- fire causes per region and month;[223]
- Treasurer's advance bushfire payments 2003-04 to 2007-08;[224] and
- preventative burning – actuals versus targets.[225]

With regard to the Committee's analysis of the Budget Estimates for 2009-10, the Committee made a number of observations which centred on:

- the breakdown of funding provided through the Budget ($908 million over five years and $78 million TEI) to assist bushfire response and recovery;[226]
- the Victorian Bushfire Appeal Fund – gifts available and amounts allocated;[227]
- the Bushfire Reconstruction and Recovery Authority – number of cases managed and grants paid across communities at 30 July 2009;[228]
- the Department of Human Services Case Management Service – funding, workload and accountability;[229] and
- Emergency Services Communications – budget initiatives.[230]

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216 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes*, May 2009, p.68

217 ibid., p.87

218 ibid., pp.186, 365

219 ibid., p.208

220 ibid., pp.303

221 ibid., pp.372–3

222 ibid., pp.373–4

223 ibid., pp.374–5

224 ibid., p.376

225 ibid., p.376, 508

226 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates – Part Two*, October 2009, pp.26, 238–9

227 ibid., pp.240–1

228 ibid., pp.242–3

229 ibid., pp.243–4

230 ibid., pp.245–6

The Committee also expressed its interest in looking forward to a comprehensive and transparent reporting to Parliament on the management of bushfire funding and the level of effectiveness in achieving recovery outcomes.[231] This is particularly important in view of the ongoing and long-term nature of some of the recovery activities in this area and the further funding provided in the 2009-10 Budget Update dealing with bushfire response and preparedness activities.[232] Of particular note is the $35.1 million to fund preparedness activities to manage fires on public land in response to predictions of the potential severity of the coming fire season.[233]

9.2. Introduction

With this background in mind, the Committee's lines of inquiry for its 2008-09 outcomes inquiry relating to the 2009 Victorian Bushfires comprised the following:

- seeking details from departments about the level of expenditure incurred in 2008-09 against funding initiatives for 2008-09 contained in the 2009-10 Budget papers;
- for each initiative, seeking information about outcomes achieved against planned outcomes; and
- requesting departments describe the processes employed to manage the total bushfire response and recovery package.

In framing these lines of inquiry, the Committee was mindful of the recent inquiry into the budget estimates which covered the funding provided by Government towards the 2009 Victorian bushfire response and recovery. The Committee also followed the principle applied in its most recent inquiry into the budget estimates of not straying into aspects that fall under the purview of the Royal Commission, given the Commission's very wide powers to inquire into, and report on, a range of matters that include:[234]

- the causes of the bushfires that burned in various parts of Victoria in late January and in February 2009 ('2009 Bushfires');
- the preparation and planning involved; and
- the measures taken to control the spread of the fires and protect life and private and public property.

As such, in not wishing to pre-empt the final findings of the Royal Commission, the Committee has not analysed from a critical perspective the broad processes described by the departments that were applied in managing the response and recovery procedures for the February 2009 bushfires, nor asked for additional more comprehensive material to be supplied by departments. Due to the broad nature of the responses provided by departments to the Committee, it was not possible to link any of the detailed findings and recommendations of the Royal Commission to processes described by departments in managing the total bushfire response and recovery package.

231 ibid., p.26

232 Department of Treasury and Finance, *2009-10 Budget Update*, p.128–41

233 ibid., pp.128, 130

234 2009 Victorian Bushfires Royal Commission, *Interim Report*, August 2009, pp.vii–viii

The material outlined in this chapter is therefore offered for information purposes only as a synopsis of how Government funding for 2008-09 was applied by departments and related agencies together with the high level management processes implemented by Government.

9.3. Departmental responses – consolidated summary

The Committee acknowledges the extensive range of activities undertaken by government departments and related agencies in responding to the February 2009 bushfires. The following quote illustrates the magnitude of the scale of operations:[235]

> *More than 10,000 personnel, including firefighters, support workers, police and emergency services personnel and community volunteers were involved in the response, which was the largest ever coordinated emergency response and community recovery operation.*

The Committee was informed by the Department of Sustainability and Environment that it is responsible for fire management on public land including National Parks, State Parks and forests. The Department also advised that it has in place a number of policies and procedures to manage the response effort required in times of bushfire in order to reduce the threat and impact of bushfires.[236] The scope of the Committee's inquiry did not involve examining these policies and procedures, given that a Royal Commission was underway.

The Committee noted the Department's comment that:[237]

> *The Department's core approach to the bushfires was not altered during 2008-09; however the sheer size of the response required to manage the unprecedented nature of the fires altered.*

Departmental expenditure incurred and outcomes achieved in 2008-09 in relation to the government-wide initiatives contained in the 2009-10 State Budget are summarised overleaf. References to the full responses are reproduced in Appendix 1 of this report.

235 Victorian Government, *Implementation Plan of the State of Victoria*, 30 September 2009

236 Department of Sustainability and Environment, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.32

237 ibid.

Table 9.1: Departmental expenditure and outcomes in relation to the February 2009 bushfires

Department of Sustainability and Environment
• Bushfire Emergency Stabilisation Works – $5.8 million expenditure (**Section** 1.1 in **Appendix** 1) – Recovery, stabilisation, rehabilitation and repair work undertaken (1.2)
• Bushfire Impact Research – $300,000 expenditure (1.3) – Parties involved and research intentions (1.4)
• Bushfire Preparedness – $8.2 million expenditure (1.5) – Landscape Mosaic Burns commenced and planned and reporting system (1.6)
• Fire Suppression – $318.7 million expenditure (1.7) – Scale of bushfires and resourcing (1.8) – Department's role in fire management (1.9) – Organisations involved in fire roles (1.10) – Additional spending on bushfire response (1.11) – Ongoing recovery of bushfire affected areas (1.12) – Role of the Rehabilitation and Recovery Team and departmental reporting (1.13)
Department of Human Services
• Case Management Program – $15.1 million expenditure (2.1) – Individual case management service provided (2.2)
• Grants to Individuals and Housing Support – $19.6 million expenditure (2.3) – Provision of financial assistance (2.4)
• Health and Wellbeing – $11.0 million expenditure (2.5) – Provision of health and medical services including counselling (2.6)
• State Coordination and Regional Response and Recovery – $6.6 million expenditure (2.7) – Increase in capacity (2.8)
• Bushfire Psychosocial Recovery team – coordination of mental health initiatives (2.9)
• Activities where costs incurred were in excess of normal budgeted levels (2.10)

• Victorian Bushfire Case Management Service – workload (2.11)
• Community Service Hubs (2.12)
• Temporary Housing (2.13)
• Community Development Program (2.14)
• New psycho social support model including administration of the Victorian Bushfire Appeal Fund (2.15)
• Health and medical, including ambulance expenses – Bushfire Recovery Service Unit (2.16)
Department of Premier and Cabinet
• Bushfire Memorial Service – $600,000 expenditure incurred in 2008 09 (3.1)
• Victorian Bushfire Reconstruction and Recovery Authority – $71.7 million expenditure (3.3) – Clean up and demolition program, distribution of donated goods, establishment of housing and temporary villages and administration – the Community Engagement team, community recovery committees Regional Community Engagement Coordinators (3.4)
• Housing and Temporary Villages (Asset Funding) – $1.6 million expenditure (3.5) – Extent of one/two bedroom units established/being established and village configuration (3.6)
• Community Recovery Fund – $10 million Fund administered by the Department of Planning and Community Development (3.8)
• Victorian Bushfire Appeal Donation – $2 million donation to the Red Cross Bushfire Appeal Fund (3.9)
• Victorian Bushfire Royal Commission – $7.6 million expenditure (3.11)
• Victorian Bushfire Reconstruction and Recovery Authority – processes employed included activities associated with the following: – working with the Victorian Bushfire Appeal Fund (3.12) – administering Community Winter Events Payments (3.12) – employing Regional Community Engagement Coordinators (3.13) – managing high value donations (3.14) – establishing an interagency taskforce and expert reference group (3.15) – meeting with insurance companies and peak industry bodies (3.16) – working with local councils – disposal of bushfire waste and maintaining drinking and waste water services (3.17)

Department of Justice
• Coronial Hearings and Victim Identification Services – $3.1 million expenditure (4.1) – outcomes achieved by the Victorian Institute for Forensic Medicine and the State Coroner's Office (4.2)
• Counselling Services – $441,000 expenditure (4.3) – outcomes achieved in terms of grief counselling and financial counselling (4.4)
• Country Fire Authority – funding for operations positions – $6 million expenditure (4.5) – number and role of operations officers (4.6)
• Police Emergency Services – $17.7 million expenditure (4.7) – police response activities including additional rostering and operational equipment (4.8) – manning road blocks and securing hazardous sites (4.8)
• Volunteer Recruitment and Recognition – $443,000 expenditure (4.9) – the *Vital, Valued, Victorians* campaign (4.10)
• Tracking additional costs associated with the bushfire response (4.11)
• Management of Royal Commission activities and requests – establishment of coordination unit (4.12)
• State Coordination and Management Council – implementation plan for the Royal Commission (4.13)
Department of Treasury and Finance
• Bushfire Funeral Expenses – $1.2 million expenditure (5.1)
• Business Assistance Package – $10 million expenditure (5.3)
• Natural Disaster Relief Arrangements – $4.6 million expenditure (5.5) – Breakdown of claims (5.6)
• VicForests Salvage Harvesting – $1.5 million expenditure (5.7) – Scope of initial salvage operations and reasons for indirect costs exceeding budget (5.8) – independent audited accounts (5.13)
• Business Assistance Package claims – assessment process (5.10)
• Natural Disaster Relief arrangements (5.11)

• VicForests Salvage Harvesting – quarterly reporting characteristics (5.12)
Department of Primary Industries
• Animal Welfare and Emergency Fodder – $4.0 million expenditure (6.1) – Fodder distribution – engagement of coordinators (6.2) – Completion of animal welfare and loss of damage assessments (6.2)
• Bushfire Suppression and Recovery – $3.9 million expenditure (6.3) – Staff deployed to fire suppression (6.4) – Distribution of recovery booklets (6.4) – Replacement of National Livestock Identification System tags (6.4)
– Claims paid to victims – fencing (6.4)
• Soil Conservation Program – $100,000 expenditure (6.5) – Stock containment areas and on ground works (6.6)
• Support of Replacement of Fences by Volunteers – $1.0 million expenditure (6.7) – Fencing repair program – coordination of volunteers and engagement of contractors (6.8) – Staff involved in responses to end of September 2009 (6.9) – *Rebuilding Together – A Statewide Plan for Bushfire Reconstruction and Recovery* launched October 2009 (6.10)
Department of Transport
• Public Transport Services – $6.2 million expenditure (7.1) – Repairs to fire damaged infrastructure (7.2) – Removal of infrastructure and vegetation (7.2) – Provision of alternative transport services (7.2)
• Road Repairs and Services – $11.7 million expenditure (7.3) – Extent of works undertaken (7.4) – Assessment of damaged trees and infrastructure/subsequent removal (7.5) – Assessment of immediate impact on transport services/provision of material aid (7.6) – School bus services (7.7) – Provision of updates to the Victorian Bushfire Response and Recovery Authority (7.8 and 7.9)

– Management of emergency management duties including the requirement for public transport operators to have their own Fire Disaster Recovery Plan (7.10)
Department of Education and Early Childhood Development
• Kindergarten Services and Clean Up – $600,000 expenditure (8.1) – Assistance for kindergartens (8.2)
• Student Wellbeing and Support – $2.5 million expenditure (8.3) – Student Support Services Officers support including distribution of resources to support teachers working with bushfire affected students/affected parents and carers (8.4) – Psychosocial support for children, young people and families (8.4)
• Support to Schools – $2.0 million expenditure (8.5) – Duel-enrolled students, IT equipment, additional buses and teacher relief (8.6) – Temporary school facilities (8.7) – Governance structure established to coordinate and manage the response, including the creation of a Department Bushfire Recovery Coordination Group, a Department Bushfire Reconstruction Taskforce, School Community Reference Teams and a Bushfire Management Steering Committee (8.7)
Department of Innovation, Industry and Regional Development
• Bushfire Assistance Package – $60,000 expenditure (9.1) – Support for small business and staffing relief and recovery centres (9.2)
• Improving information to regional areas – Immediate access to information by businesses (9.4)
• Support for Regional Development – $240,000 expenditure (9.5) – Activities included coordination of Bushfire Business Roundtables and support for the Wine Industry (9.6)
• Bushfire Community Events Program – $152,000 expenditure (9.9 and 9.10) – Cleanup and disposal of bushfire waste (9.22)
• Information Victoria – rapid response plan (9.22)
Department of Planning and Community Development
• Bushfire Memorial Service – $400,000 expenditure (10.1 and 10.2)

• Community Building and Neighbourhood Houses – $900,000 expenditure (10.3) – Recovery support to local councils, including community strengthening activities (10.4)
• Grants to volunteers – $1,324,000 expenditure (10.5 and 10.6)
• Bushfire Building Standards – $1.01 million expenditure (10.7) – Outcomes included establishment of a Bushfire Building Advice Information Line and Bushfire Community Hubs (10.8)
• Coordinating three streams of donations – including offers of volunteer assistance financial support and material goods with specific responsibility for corporate donations (10.9)
• Community Recovery Fund, including allocations to community sports clubs and accountability arrangements (10.14 – 10.19)

Source: Department responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One

CHAPTER 10: PORTFOLIO PROGRAM OUTCOMES

Key findings of the Committee:

10.1 **In focusing on the importance of concentrating on the achievement of outcomes, the Committee has promoted in the past the concept that performance-based budgeting and results-based management focus less on inputs, processes and activities, but more on outcomes that will benefit the community.**

10.2 **The Committee believes that it is essential for there to be a good understanding of the difference between outcomes to be achieved and outputs to be delivered so that the contribution that outputs make to defined outcomes for reporting purposes is evident.**

10.3 **The Committee found a lack of understanding by some government organisations of how to relate their functions to an outcome orientated framework of performance management and reporting.**

10.4 **The Committee observed examples where planned outcomes reported to the Committee by government organisations could be construed as planned outputs as they represented goods to be produced, services to be provided, actions to take place or activities to occur.**

10.5 **The Committee believes that organisational outcomes should be reflective of the high level outcomes expressed by the Government in its key policy statements.**

10.6 **In some cases there was limited indication that outcomes had been achieved. Ultimate impacts of activities were not outlined or measured by some government organisations.**

10.7 **The Committee found there was substantial scope for qualitative data submitted by organisations to demonstrate that key outcomes have been achieved to be expanded to include quantitative data and targets to be established to measure performance in terms of achieving outcomes.**

10.8 **Unforeseen circumstances in some cases had an impact on significant program outcomes not being achieved in 2008-09. The Committee noted that the 2009 bushfires had an adverse impact on the ability of some organisations to achieve their planned outcomes for 2008-09 – most notably the Department of Sustainability and Environment where resources had to be diverted to assist in the response efforts following Black Saturday.**

10.9 **The Committee sees a clear need for guidance to be provided to government organisations on the framing of outcomes relevant to the needs of the community as well as the importance of developing quantitative performance measures and targets.**

10.10 **Apart from the devastating bushfires of February 2009, the advent of the Global Financial Crisis also had an adverse impact on the ability on some government organisations to deliver outcomes that were planned for 2008-09.**

10.11 The impact of the Global Financial Crisis on the delivery of program outcomes ranged from greater and more urgent activity due to the effect of stimulus packages instigated at the Commonwealth level to contractionary impacts associated with factors such as a lessening of service demand, a reduction in funding, lower interest earnings and particular industry sectors experiencing a downturn in turnover and employment opportunities.

10.12 The use of economic indicators to measure economic outcomes varied between government organisations depending on their particular functions. The Committee believes there is scope for developing a more sophisticated suite of economic indicators in future, particularly relating to the measurement of productivity improvement over time. This matter, which has been raised before by the Committee, will continue to be monitored in future inquiries.

10.1. Introduction

This chapter continues the practice adopted by the Committee last year of examining the performance of organisations in achieving planned outcomes. An outcome is defined as the Government's desired or intended effects on the community as a result of the funding of outputs, whereas an output is defined as a product or service that departments/agencies produce or deliver.[238]

In following up action taken by the Government in response to the Committee's recommendations contained in its *Report on the 2007-08 Financial and Performance Outcomes*, the Committee noted that the recommendation for departments, when reporting outcome achievements, to include details of performance measures and targets for each program outcome that demonstrates effectiveness of service delivery was under review, as was the recommendation for performance measures and targets to be identifiable in the State budget papers. The Government indicated in November 2009 that it was investigating ways to improve and enhance outcomes reporting as part of the Public Finance and Accountability Bill project.[239]

The Committee noted that the Public Finance and Accountability Bill 2009, in terms of resource management, requires the Minister to:[240]

> *...publish an outcomes progress report specifying progress on the Government's intended outcomes as stated in the statement of outcomes for the current financial year at least once during the following financial year.*

238 Public Accounts and Estimates Committee, *Report on the 2006-07 Budget Estimates*, September 2006, p.7

239 Victorian Government, *Response to the Recommendations of Public Accounts and Estimates Committee's 87th Report on the 2007-08 Financial and Performance Outcomes*, November 2009, p.13

240 Public Finance and Accountability Bill 2009, Part 5: Resource Management, Division 3 Reporting, clause 39

10.2. Background

The Committee reported in its Inquiry into Victoria's Public Finance Practices and Legislation in June 2009 that:[241]

> *Performance-based budgeting and results-based management focus less on inputs, processes and activities, and more on outcomes that will benefit the community. In fact, outcome budgeting and reporting frameworks centre on the effectiveness of government in meeting their performance goals and therefore are more appropriate to meet the growing emphasis on program management and service delivery across government.*
>
> *It is widely accepted that outcomes are more difficult to measure, as they entail the use of both qualitative and quantitative factors which may be subjective and challenging in measuring and benchmarking performance. They also involve the interaction of many factors (both planned and unplanned) such as action taken by other levels of government and external influences including action taken within the community, and the impact of demographic changes, cost pressures and changes in economic conditions. Notwithstanding the fact that the measurement of outcomes can be difficult, the key focus of governments in developing policies and delivering programs should be to achieve outcomes.*

In relation to the current inquiry, similar to last year, the Committee gave departments the opportunity to:

- outline the five most important program outcomes achieved in 2008-09 compared to what was planned for the year; and
- identify any significant program outcomes that were not achieved in 2008-09 together with the underlying reasons.

In widening its scope due to the economic factors that prevailed in 2008-09, the Committee also delved into:

- the impact that the Global Financial Crisis had in terms of changing planned organisational priorities and the delivery of program outcomes or activities during 2008-09, as well as action taken to address this situation;
- the extent to which organisations made use of specific economic indicators to report on effectiveness for the achievement of outcomes; and
- the widened scope also involved a number of related agencies.

The purpose of the Committee's inquiries was to assess the extent to which planned outcomes were adequately described by organisations and examine the appropriateness of information used by organisations to assess whether planned outcomes had been achieved. It is for this reason that the Committee believes that it is essential for there to be a good understanding of the difference between outcomes to be achieved and outputs to be delivered so that the contribution that outputs make to defined outcomes for reporting purposes is evident.

241 Public Accounts and Estimates Committee, *New Directions in Accountability, Inquiry into Victoria's Public Finance Practices and Legislation*, June 2009, p.19

This chapter includes examples where:

- planned outcomes reported to the Committee by government organisations could be construed as planned outputs as they represented goods to be produced, services to be provided, actions to take place or activities to occur. They would have been more meaningful in an outcome sense had they been expressed as the kind of impact they were expected to have had on the community or target client (e.g. the amount of change in behaviour, skills, knowledge or condition/situation of the activity);
- qualitative data submitted by organisations to demonstrate that key outcomes have been achieved could have been expanded to include quantitative data;
- targets were not established to measure performance in terms of achieving outcomes; and
- significant program outcomes were not achieved in 2008-09 and related causes.

The chapter also provides comment on the impact that the Global Financial Crisis had on the ability of organisations to achieve planned outcomes and the use of economic indicators to evaluate performance.

The responses from departments and agencies are reproduced in full in Appendix 2 to this report.

10.3. Good examples of a planned outcome and quantitative data to demonstrate achievement of the outcome

The Committee noted that in terms of the road toll and serious injuries, VicRoads advised that Victoria's Road Safety Strategy *Arrive Alive 2008-2017* aims to reduce deaths and serious injuries by a further 30 per cent by 2017.

Against the pro rata target which called for a 2.5 per cent reduction in fatalities and a 2.5 per cent reduction in serious injuries in 2008-09, the actual result achieved was a 10 per cent reduction in fatalities and a 12 per cent reduction in serious injuries.

In another case, Yarra Valley Water Ltd advised the Committee that a planned outcome to be achieved in 2008-09 related to water conservation. The showerhead exchange program aimed to reduce water consumption of Yarra Valley Water's customers. Yarra Valley Water forecast that 49,200 showerheads would be replaced during 2008-09.

In 2008-09, 49,759 showerheads were exchanged and residential water consumption fell from 164 to 158 litres per person per day.

10.4. Defining planned outcomes

In essence, the review of material provided to the Committee showed a lack of understanding by some government organisations of how to relate their functions to an outcome orientated framework of performance management and reporting.

The Committee noted that in some cases, organisations did not express outcomes achieved against planned outcomes in terms of ultimate impacts. Good examples where outcomes were well defined were found when reviewing material provided by the Department of Human Services e.g. to improve human service safety and quality and to strengthen the capacity of individuals, families and communities. Other examples cited included a planned outcome at Melbourne Water to deliver river health and stormwater quality works to protect and improve waterways and bays and, with regard to the Department of Treasury and Finance, for Victoria's taxes to remain competitive

with the Australian average. The Victorian Managed Insurance Authority developed a statewide climate change strategy to assist clients respond to the risks of Climate Change.

Some outcomes, however, were expressed in other forms such as indicators, actions, strategies and planning which took the appearance of outputs. Examples of planned outcomes submitted by organisations are listed below:

Indicators

- Department of Education and Early Childhood Development – the proportion of 4 year olds participating in kindergarten
- Barwon Health – transfer from Emergency Department to ward in less than 8 hours
- Department of Premier and Cabinet – increased access to arts and culture
- City West Water Limited – unaccounted-for-water target of 9.2 per cent

Actions

- Alfred (Bayside) Health – develop the Academic profile of Alfred Health
- Southern Health – continue implementation of Health*SMART*
- Department of Innovation, Industry and Regional Development – opening of the world class Melbourne Convention Centre
- Department of Planning and Community Development – managing Melbourne's growth
- Goulburn–Murray Water – Shepparton Modernisation
- Department of Treasury and Finance – deliver financial reports
- Transport Accident Commission – provision of services and benefits to clients and the relocation to Geelong

Strategies

- Department of Primary Industries – implement the *Future Farming Strategy, Biosecurity Strategy* for Victoria and the *Energy Technology Innovation Strategy*
- Parks Victoria – develop the Bays and Maritime initiative

Planning

- Austin Health – complete the Austin Health Strategic Service Plan for the next 5–10 years
- VENCorp – deliver gas and electricity Annual Planning Reports

In terms of demonstrating effectiveness in meeting the Government's performance goals, the Committee does not see any merit in organisations disclosing that they have met planned outputs without then describing how these outputs will or have contributed to the achievement of outcomes. For example, when the Department of Treasury and Finance lists the delivery of financial reports as a planned outcome and then identifies the reports issued for 2008-09 as quantitative data to demonstrate that the outcome has been achieved, this information in isolation does not convey the wider intent or impact of the reports in the context of, for example, strengthening accountability in terms of demonstrating sound financial management. In these circumstances, it is also a relatively simple task to claim that the planned 'outcome' has been achieved.

The Committee is also of the view that as there are different interpretations about what constitutes an 'outcome', the Department of Treasury and Finance should provide clear guidance to organisations to avoid any confusion as to the difference between an output and an outcome. This is particularly important, given the content of the Public Finance and Accountability Bill 2009 which calls for the Minister to publish a statement of the Government's current intended outcomes and report progress against these intentions at least once during the following financial year. The Committee believes that the way in which outcomes have been described in the Government's Growing Victoria Together vision and goals provides a good example of how outcomes should be framed by organisations. In essence, organisational outcomes should be reflective of these visions and goals that have been set for Victorians.

Recommendation 19: **To enhance performance reporting and accountability, the Department of Treasury and Finance release a guidance statement and practical examples that clearly define the difference between an outcome and an output and the need to frame measurable outcomes that are relevant to the needs of the community.**

10.5. Achievements compared to planned outcomes

The Committee noted that in some cases there was only limited evidence to indicate that outcomes had been achieved.

Western Health provided a good example of where a change in behaviour was described to demonstrate the achievement of an outcome i.e. with regard to people and culture, in terms of continuing to implement the Building Positive Attendance Program, improvements occurred in unplanned absenteeism.

Good examples of where targets were set for 2008-09 were found at the Department of Human Services. These are listed below:

- the number of child protection reports was predicted to increase to 41,600; actual 42,839;
- provision of long-term housing – planned to deliver 1,030 properties; delivered 1,407; and
- planned to assist 33,450 with housing establishment funding – assisted 36,000.

In another example sighted by the Committee, a planned outcome for the Department of Human Services was to reduce inequality by improving health and wellbeing, particularly for disadvantaged people and communities, but there was no quantitative measurement of this other than the aims of particular programs.

At Alfred (Bayside) Health, in terms of improving safety and quality of clinical care, the implementation of the respecting patient choices program involved, in part, trials and research submissions, but apart from these activities, no data was provided to demonstrate the result and connection to the planned outcome. This was also the case in relation to actions that involved revising a suite of guidelines and establishing a database of the use of patient attendants at The Alfred.

The Committee observed that in some cases, quantitative and qualitative data to demonstrate outcome achievement was restricted to stating output levels compared to the prior year. As was the case for 2007-08, very few quantitative targets were stated by organisations. For example with regard to the Department of Human Services, apart from a few instances mentioned earlier, there was a dearth of target setting to measure outcomes. The Department predominately elected to:

- compare results to prior year figures to show improvement e.g. hospital performance throughput;
- simply state results e.g. Nurse On Call; or
- report activity levels or actions, such as quoting the content of strategies that have been released e.g. the Victorian Tobacco Control Strategy.

This matter, while reported last year, is also commented on in chapter 19 of this report which covers the review of annual reports for 2008-09.

In order to demonstrate whether planned outcomes have been achieved, the Committee sees a clear need for government organisations to be reminded of the importance of developing quantitative performance measures and targets.

After analysing the material provided to the Committee by government organisations relating to the five most important program outcomes achieved in 2008-09, it is evident that there is a continuing need for improvement in the standard of outcome definition, performance measure development and target setting across the public sector compared to the previous year.

Recommendation 20: **To enhance the ability of government organisations to demonstrate whether planned outcomes have been achieved, the central departments (Department of Premier and Cabinet and Department of Treasury and Finance) promote a reporting culture throughout the public sector that emphasises the importance of developing quantitative performance measures and targets.**

The Committee also noted that the 2009 bushfires had an adverse impact on the ability of some organisations to achieve their planned outcomes for 2008-09 – most notably the Department of Sustainability and Environment where resources had to be diverted to assist in the response efforts following Black Saturday.

Apart from the devastating bushfires of February 2009, the advent of the Global Financial Crisis also had an adverse impact on the ability on some government organisations to deliver outcomes that were planned for 2008-09.

Due to the diverse range of services provided by government departments and related agencies, the global economic downturn understandably impacted on the delivery of program outcomes or activities by government organisations to varying degrees, with some organisations not being affected in any way while others having to implement measures to address this situation. Impacts ranged from greater activity due to the effect of stimulus packages instigated at the Commonwealth level to contractionary impacts associated with factors such as a lessening of service demand, a reduction in funding, lower interest earnings and businesses experiencing a downturn in turnover. In some situations, organisational priorities were changed. Some examples of impacts that were conveyed to the Committee are shown in Table 10.1.

Table 10.1: Examples of the impact of the Global Financial Crisis on program outcomes

Department of Education and Early Childhood Development	
–	implementation of the *Building the Education Revolution* program as part of the Commonwealth Government's *Nation Building – Economic Stimulus Plan* provides Victorian schools with an opportunity to construct and provide 21st century school facilities (the Department estimated that at the end of August 2009, the program supported 2,760 industry jobs)
Victorian Urban Development Authority	
–	the commercial property sector was directly affected by the global economic situation, with developers experiencing severe difficulty in obtaining finance for construction and acquisition of land (three significant commercial sites available for sale did not release during the year)
Department of Primary Industries	
–	the proposed activities of exploration and mining companies were affected and the contraction in funding for infrastructure resulted in delays to major projects
–	the ability of companies to raise finance for major new developments is an issue and as future investment returns are difficult to forecast, this risk represents a barrier to potential equity providers. This environment creates a challenge for the Carbon Capture and Storage (CCS) large-scale and Sustainable Energy large-scale demonstration programs.
–	reduced levies to industry research and development organisations
Victorian Funds Management Corporation	
–	the performance of client portfolios, both externally and internally managed, was adversely affected during 2008-09
Victorian WorkCover Authority	
–	investments were affected
–	pressure was placed on certain basic OHS requirements such as training, maintenance and capital expenditure
–	with a tougher employment market, return to work outcomes were harder to achieve

Source: *Department and agency responses to the Committee's Financial and Performance Outcomes Questionnaire – Part One*

The Committee is of the view that the release of an outcomes progress report by the Minister (this provision is planned to come into operation on 1 July 2011) will be a positive step in informing the Parliament and the community on how government organisations are tracking towards the achievement of planned outcomes.

The Committee believes that when reporting progressively on the achievement of the Government's intended outcomes, any material risks that may emerge from planned outcomes not being achieved on time should be disclosed.

Recommendation 21: Progressive reporting of how government organisations have fared in terms of achieving intended outcomes should disclose any material risks that may emerge from planned outcomes not being achieved on time.

10.6. Use of economic indicators to evaluate and report on performance

The Committee was interested in analysing the extent to which government organisations made use of specific economic indicators to evaluate and report on the effectiveness of their programs (i.e. beyond output targets for the achievement of outcomes).

The Committee found that most government organisations did not use economic indicators to evaluate and report on performance. The nature of the business that organisations were involved in determined whether or not economic indicators were used.

With a view to expanding the use of economic indicators across government to evaluate and report on economic outcomes, examples of those that are applied in various forms are set out in Table 10.2 which could be used as a guide if applicable.

Table 10.2: Examples of economic indicators

Department of Primary Industries	
–	economic indicators that measure the economic performance of the department's sectors that have been targeted at the Department's strategic policy frameworks are:
	– multi-factor productivity (labour input, capital input and output)
	– profitability
	– terms of trade
	– market access
	– government assistance
	– employment
Department of Planning and Community Development	
–	population growth data is reviewed in order to review the effectiveness of strategic planning policy to cater for this growth. In broad terms, population data is applied to report on the effectiveness of the Urban Development Program with regard to the accommodation of future growth in redevelopment and growth areas
–	employment data is considered when developing the A Fairer Victoria framework
Department of Treasury and Finance	
–	taxes remain competitive with the Australian average
–	Victoria's productivity and competitiveness will increase

Department of Transport	
–	population, employment and economic growth
–	petrol prices
–	inflation trends

Source: *Department responses to the Committee's Financial and Performance Outcomes Questionnaire – Part One*

The Committee was particularly interested in the following initiative introduced by the Department of Justice:[242]

> *The department's Innovation and Strategy Unit has recently produced a Justice Economics State of Knowledge Review, which provides a detailed assessment of the possible applications of current economic research and methodologies in the Justice portfolio. This work will inform future consideration of the use of economic indicators for planning and evaluation purposes within the department.*

Developments in this area will be monitored by the Committee in future.

The Committee believes that in order to strengthen the framework for measuring economic outcomes associated with concepts like increasing Victoria's productivity, further work is required to improve the suite of economic indicators to measure outcomes in this area. This matter has been reported by the Committee in the past and progress made in indicator development will also be monitored in future estimates and outcomes inquiries.

242 Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2009, p.70

CHAPTER 11: PERFORMANCE TARGETS AND OUTPUT COSTS VARIATIONS

Key findings of the Committee:

11.1 **The 10 departments delivered 138 major outputs in 2008-09, costing $35.1 billion. This amount is $1.7 billion (5 per cent) above the budget estimate and $301.6 million (0.9 per cent) below the revised budget estimate.**

11.2 **Seven departments spent within 10 per cent of their original budgets, with three exceeding their budgets by more than 10 per cent. Only one department spent less than budgeted. Nine departments spent within 10 per cent of their revised budgets, with one below its revised budget by more than 10 per cent.**

11.3 **Performance was measured by a total of 137 budget targets and 1,128 quantity, quality and timeliness targets. Overall, 65 per cent of budget targets were reported to be met to within 10 per cent and 76 per cent of non-budget targets were reported to be met or exceeded. Just over 1 per cent of targets were not reported on.**

11.4 **Many of the variations from target were attributed to the February 2009 bushfires, the Global Financial Crisis or programs introduced/modified in response to the Global Financial Crisis.**

11.5 **There were significant differences between the departments in terms of their performance against the targets. The proportion of budget targets met to within 10 per cent varied across departments from 25 to 89 per cent. The proportion of other targets met or exceeded ranged across departments from 58 to 90 per cent.**

11.6 **The different departments had similar results in terms of their performance against revised budget targets met to within 10 per cent.**

11.7 **All departments except the Department of Innovation, Industry and Regional Development provided explanations for significant variances to all types of measures. The Department of Innovation, Industry and Regional Development only supplied explanations for variations to cost measures.**

11.8 **Two departments – the Department of Justice and the Department of Primary Industries – also supplied historical data of their actual results on performance measures where available.**

11.1. Introduction

The annual Budget Paper No. 3 provides details of the goods and services that the Government intends to deliver through the departments for the year. Each department's activities are divided into a number of major outputs, each of which has performance measures with targets. These performance measures are designed to assess the quantity, quality, timeliness and cost of the outputs delivered.

Financial Reporting Direction 8B (Consistency of Budget and Departmental Reporting) requires departments to report in their annual reports on their actual results compared to the targets in the Budget Paper.

This chapter presents a summary and analysis of this information. The Committee also sought additional information to what was presented in the annual reports from departments where appropriate, and some of that information is also presented in this chapter. It also considers changes from the revisions provided during the year (e.g. in the budget papers) against final actuals.

11.2. Overview

In total, the 10 departments spent $35.1 billion on outputs in 2008-09 (see Table 11.1). This was $1.7 billion (5 per cent) more than originally budgeted and $301.6 million (1 per cent) less than the revised budget. The Department of Justice was the only department that spent less than originally budgeted, although five departments spent less that their revised budgets.

More than half of the over-expenditure compared to the original budget came from the Department of Education and Early Childhood Development and the Department of Human Services, which each spent more than $450 million more than its budget. However, these two departments have by far the largest budgets and these amounts constituted variations of less than 10 per cent of their budgets.

The actual expenditure of three departments exceeded their original budgets by more than 10 per cent – the Department of Premier and Cabinet, the Department of Primary Industries and the Department of Sustainability and Environment. The Department of Sustainability and Environment was the only department whose spending varied from the revised budget by more than 10 per cent.

Table 11.1: Comparison of Departments' Budgeted and Actual Expenditure

Department	2008-09 budget	2008-09 revised	2008-09 actual	Budget variation	Revised budget variation
	($ million)	($ million)	($ million)	(%)	(%)
Education and Early Childhood Development	7,312.2	7,846.4	7,769.0	6.2	-1.0
Human Services	12,991.1	13,448.5	13,442.8	3.5	-0.0
Innovation, Industry and Regional Development	2,175.2	2,348.8	2,375.8	9.2	1.1
Justice	3,580.9	3,620.6	3,554.7	-0.7	-1.8
Planning and Community Development	437.0	445.1	437.5	0.1	-1.7
Premier and Cabinet	546.6	614.6	632.5	15.7	2.9
Primary Industries	481.0	543.1	568.2	18.1	4.6
Sustainability and Environment	1,304.9	1,901.3	1,668.6	27.9	-12.2
Transport	4,337.8	4,423.7	4,438.6	2.3	0.3
Treasury and Finance	234.5	235.3	238.1	1.5	1.2
Total	**33,401.2**	**35,427.4**	**35,125.8**	**5.2**	**-0.9**

Sources: Departments' 2008-09 annual reports; Department of Treasury and Finance, Budget Paper No. 3 – 2009-10 Service Delivery

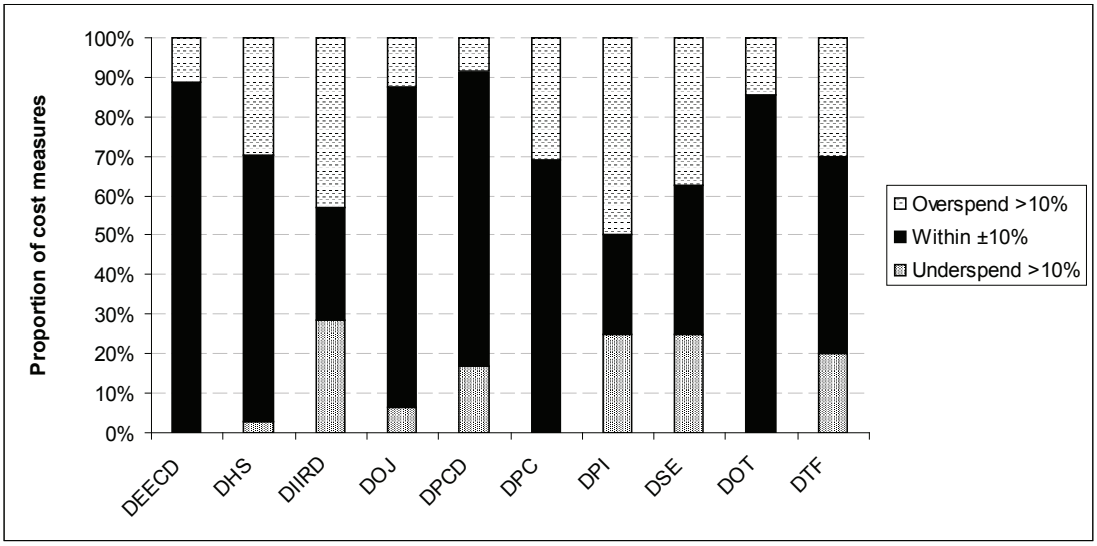
In total, the departments delivered 138 major outputs. Expected budget targets were provided for 137 of these outputs (one was fully funded through internal revenue[243]). Overall, the actual expenditure for 65 per cent of the 137 outputs was within 10 per cent of the original budget, with 10 per cent of outputs recording an under-expenditure and 26 per cent recording an over-expenditure (see Table 11.3). When compared to the revised budget, the actual expenditure for 82 per cent of the 137 outputs was within 10 per cent of the revised budget, with 11 per cent of outputs recording an under-expenditure and 7 per cent recording an over-expenditure (see Table 11.4).

The different departments had quite varied results in terms of what proportions of their original budget targets were met to within 10 per cent, as can be seen from Figure 11.1. While the Department of Education and Early Childhood Development met 89 per cent of its targets, the Department of Primary Industries met only 25 per cent of its targets. The Department of Innovation, Industry and Regional Development, Department of Primary Industries and Department of Sustainability and Environment met their expenditure targets for less than 50 per cent of their outputs. It is important to note, though, that some departments had relatively small numbers of budget targets (the Department of Primary Industries had only four).

In many cases, variations from budget were explained as due to the 2009 bushfires or additional Commonwealth funding. These matters are discussed further in Chapters 7 and 9.

243 Department of Human Services, *Annual Report 2008-09*, October 2009, p.148; Department of Treasury and Finance, *Budget Paper No.3 – Service Delivery 2008-09*, p.117

Figure 11.1 Comparison of Budgeted and Actual Expenditure for Outputs by Department



Source: Departments' 2008-09 annual reports

Departments generally met larger proportions of their revised budget targets. Three departments met all of their budget targets, with all but two departments meeting more than 78 per cent of their targets.

Across the 138 major outputs, there were 1,128 performance measures in addition to the 137 expenditure targets. Departments met or exceeded 76 per cent of these targets, with actual figures more than 10 per cent below the original targets in 9 per cent of cases. One per cent of targets were not measured, with most of those being in the Department of Education and Early Childhood Development.

Common explanations for not meeting targets included the effects of the 2009 bushfires and the changed economic conditions following the Global Financial Crisis. Project delays were also cited. Chapter 3 of this report discusses delays to infrastructure projects in more detail. However, the Committee notes that the overall proportions of targets met or exceeded, not met by 10 per cent or less and not met by greater than 10 per cent are very similar to the results in 2007-08 (see Table 11.2).

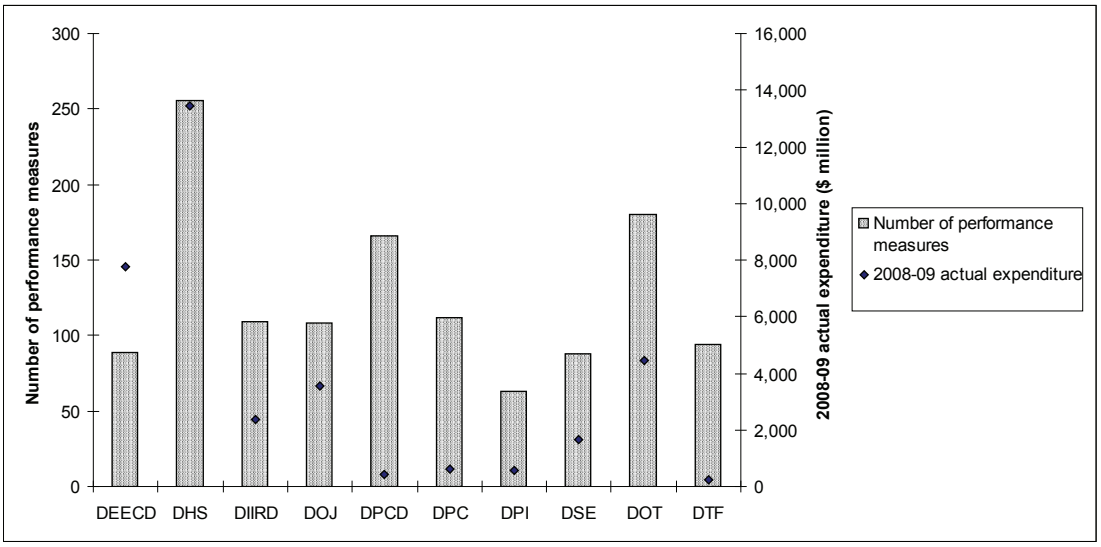
Table 11.2: Comparison of Overall Performance Against Non-Budget Targets Between 2007-08 and 2008-09

Year	Targets met or exceeded	Targets not met by ≤10%	Targets not met by >10%
	(%)	(%)	(%)
2007-08	77.6	14.2	8.1
2008-09	76.1	13.7	8.8

Source: Departments' 2008-09 annual reports; Public Accounts and Estimates Committee, Report on the 2007-08 Financial and Performance Outcomes, May 2009, p.212

There is a significant variation between departments in terms of how many performance measures (including cost measures) they report against, from 63 (the Department of Primary Industries) to 256 (the Department of Human Services). Given that the Department of Human Services has the largest budget, it is sensible that it has the largest number of measures on which to report. However, the Committee notes that there is not always a proportionate relationship between the size of a department's budget and the number of its performance measures, as can be seen in Figure 11.2.

Figure 11.2 Comparison Between the Number of Performance Measures and the Actual Expenditure by Department



Source: Departments' 2008-09 annual reports

The Committee notes that, in recent years, some departments have revised their performance measures (e.g. the Department of Justice). The Committee noted the disproportionately high number of performance measures for the Department of Planning and Community Development in its *Report on the 2007-08 Financial and Performance Outcomes* and recommended they be reviewed.[244] The Government has advised that the number has been significantly reduced for 2009-10.[245]

The Department of Education and Early Childhood Development has one of the lowest numbers of performance measures but the second highest budget, and the Committee considers that it would be appropriate for it to have a larger number of performance measures in the future. The Committee particularly notes that two of the Department's major outputs had budgets in excess of $2.3 billion each and that it could be helpful to split those into a number of outputs to provide a greater level of detail about the Department's expenditure and performance related to those outputs.

Recommendation 22: The Department of Education and Early Childhood Development review the number of its output performance targets identified in Budget Paper No. 3 with the aim of greater proportionate accountability for the size of its budget.

244 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes*, May 2009, recommendation 22, p.210

245 Victorian Government, response to the recommendations of the Committee's 79th Report on the 2006-07 Financial and Performance Outcomes, p.13

Table 11.3: Comparison of Budgeted and Actual Expenditure for Output Groups by Department

Department	Total cost measures	Variation between budgeted and actual expenditure		
		Underspend >10%	Within ±10%	Overspend >10%
	(No.)	(%)	(%)	(%)
Education and Early Childhood Development	9	0.0	88.9	11.1
Human Services[(a)]	37	2.7	67.6	29.7
Innovation, Industry and Regional Development	14	28.6	28.6	42.9
Justice	16	6.3	81.3	12.5
Planning and Community Development	12	16.7	75.0	8.3
Premier and Cabinet	13	0.0	69.2	30.8
Primary Industries	4	25.0	25.0	50.0
Sustainability and Environment	8	25.0	37.5	37.5
Transport	14	0.0	85.7	14.3
Treasury and Finance	10	20.0	50.0	30.0
Total	**137**	**9.5**	**65.0**	**25.5**

Note:

(a) There was one additional output group ('Home ownership and renovation assistance') but no expenditure target was set for it, as it was fully funded from internal revenue; consequently, it has not been included in this table.

Source: Departments' 2008-09 annual reports

Table 11.4: Comparison of Revised Budget and Actual Expenditure for Output Groups by Department

Department	Total cost measures	Variation between budgeted and actual expenditure		
		Underspend >10%	Within ±10%	Overspend >10%
	(No.)	(%)	(%)	(%)
Education and Early Childhood Development	9	0.0	100.0	0.0
Human Services[(a) (b)]	35	2.9	88.6	8.6
Innovation, Industry and Regional Development	14	28.6	50.0	21.4
Justice	16	0.0	93.8	6.3
Planning and Community Development[(b)]	10	10.0	90.0	0.0
Premier and Cabinet[(b)]	12	8.3	83.3	8.3
Primary Industries	4	0.0	100.0	0.0
Sustainability and Environment	8	62.5	25.0	12.5
Transport	14	21.4	78.6	0.0
Treasury and Finance	10	0.0	100.0	0.0
Total	**132**	**11.4**	**81.8**	**6.8**

Notes:

(a) There was one additional output group ('Home ownership and renovation assistance') but no expenditure target was set for it, as it was fully funded from internal revenue; consequently, it has not been included in this table.

(b) The number of cost measures varies from the original budget for the Department of Human Services, Department of Planning and Community Development and Department of Premier and Cabinet due to changes in the output structures for these departments as part of the 2009-10 Budget.

Source: Departments' 2008-09 annual reports; Department of Treasury and Finance, Budget Paper No. 3 – 2009-10 Service Delivery

Table 11.5: Comparison of Actual Outputs to Targets by Department (Excluding Expenditure Targets)

Department	Total	Met or exceeded	Not met by ≤10%	Not met by >10%	Not measured
	(No.)	(%)	(%)	(%)	(%)
Education and Early Childhood Development	80	68.8	17.5	2.5	11.3
Human Services	219	58.0	29.7	11.9	0.5
Innovation, Industry and Regional Development	95	83.2	6.3	8.4	2.1
Justice	92	79.3	10.9	9.8	0.0
Planning and Community Development	154	90.3	2.6	7.1	0.0
Premier and Cabinet	99	86.9	7.1	4.0	2.0
Primary Industries	59	81.4	8.5	10.2	0.0
Sustainability and Environment	80	75.0	12.5	12.5	0.0
Transport	166	71.1	15.7	11.4	1.8
Treasury and Finance	84	86.9	8.3	4.8	0.0
Total	**1,128**	**76.1**	**13.7**	**8.8**	**1.5**

Source: *Departments' 2008-09 annual reports; Department of Innovation, Industry and Regional Development and Department of Planning and Community Development figures amended following advice from departments in their responses to the Committee's questionnaires*

11.3. Department of Education and Early Childhood Development

11.3.1 Output Costs

The total cost to deliver the Department of Education and Early Childhood Development's seven output groups in 2008-09 was $7.8 billion. This is $447.8 million (6.2 per cent) higher than original budget and $77.4 million (1.0 per cent) lower than revised budget. One area had a variation more than 10 per cent in excess of original budget. No areas recorded under-expenditure from the original budget, with three areas recording under-expenditure from the revised budget.

Table 11.6: Output Costs for the Department of Education and Early Childhood Development

Output group	2008-09 target	2008-09 revised target	2008-09 actual	Budget variation	Revised budget variation
	($ million)	($ million)	($ million)	(%)	(%)
Early Years (Schools)	2,348.6	2,535.4	2,437.1	3.8	-3.9
Middle Years (Schools)	2,335.5	2,527.6	2,578.4	10.4	2.0
Later Years and Youth Transitions	1,508.2	1,621.5	1,592.8	5.6	-1.8
Services to Students	741.0	772.9	775.8	4.7	0.4
Policy and Regulation	40.8	40.8	40.8	0.0	0.0
Adolescent Health Services (Schools)	9.6	10.3	10.3	7.3	5.2
Early Childhood Services	328.5	337.9	333.8	1.6	-1.2
Total	**7,312.2**	**7,846.4**	**7,769.0**	**6.2**	**-1.0**

Sources: Department of Education and Early Childhood Development, Annual Report 2008-09; Department of Treasury and Finance, Budget Paper No. 3 – 2009-10 Service Delivery

The Department explained that the over-expenditure in the 'middle years' output group was the result of:[246]

> *...the impact of the current Enterprise Bargaining Agreements for teachers and education support staff, new Commonwealth-funded initiatives, new State-funded initiatives approved as part of the 2009-10 Budget with a financial impact in 2008-09 and an increase in the stages of learning per student price in the middle years.*

11.3.2 Other Output Targets

The Department met or exceeded 69 per cent of its non-budgetary targets. In only two cases (3 per cent) were outcomes more than 10 per cent below target. Both cases were to do with the ratios of computers to students in schools.

There were nine performance measures for which no results were available. In eight cases this was because the measures were no longer being assessed as they had been replaced by the National Assessment Program – Literacy and Numeracy (NAPLAN).[247] However, the Committee notes that the Department has been unable to report its actual results on these measures in any of its annual reports since 2003-04 due to data not being available. The Committee hopes that

246 Department of Education and Early Childhood Development, *Annual Report 2008-09*, October 2009, p.42

247 ibid., pp.41–2

NAPLAN data will be available for the 2009-10 annual report or expects the Department to find some other way to report on these outputs.

The other performance measure that was not reported on was no longer being assessed and this measure has been discontinued from 2009-10 onwards.[248]

11.4. Department of Human Services

11.4.1 Output Costs

The Department of Human Services had the largest budget of all the departments for 2008-09, with over a third of the total output funding. The Department spent $13.4 billion on 13 output groups, which were divided into 38 major outputs. This is $451.7 million (3 per cent) higher than the original budget and $104.9 million (1 per cent) higher than the revised budget.

Table 11.7: Output Costs for the Department of Human Services

Output group	2008-09 target	2008-09 revised target	2008-09 actual	Budget Variation	Revised Budget Variation
	($ million)	($ million)	($ million)	(%)	(%)
Acute Health Services	7,015.7	7,081.8	7,149.8	1.9	1.0
Ambulance Services	494.4	518.8	510.1	3.2	-1.7
Mental Health	883.8	889.3	887.9	0.5	-0.2
Aged and Home Care	915.5	922.4	943.0	3.0	2.2
Primary and Dental Health	330.3	368.6	378.1	14.5	2.6
Small Rural Services	442.9	439.7	447.2	1.0	1.7
Public Health	280.7	310.9	311.3	10.9	0.1
Drug Services	123.9	128.8	126.6	2.2	-1.7
Disability Services	1,175.5	1,228.7	1,235.0	5.1	0.5
Child Protection and Family Services	520.2	553.9	556.4	7.0	0.5
Youth Services and Youth Justice	105.1	105.8	104.6	-0.5	-1.1
Concessions to Pensioners and Beneficiaries[(a)]	336.1	319.0	320.5	-4.6	0.5
Housing Assistance[(b)]	367.0	470.2	472.3	28.7	0.5
Total	**12,991.1**	**13,337.9**	**13,442.8**	**3.5**	**0.8**

Notes:

(a) The target printed here is less than in Budget Paper No. 3 as it does not include an amount of funding for transport concessions transferred to the Department of Transport – see Department of Treasury and Finance, Budget Paper No.3 – Service Delivery 2008-09, p.85.

(b) Amounts do not include costs of the 'home ownership and renovation assistance' output that is fully internally funded.

Sources: Department of Human Services, Annual Report 2008-09, Department of Treasury and Finance, Budget Paper No. 3 – 2009-10 Service Delivery

248 Department of Treasury and Finance, *Budget Paper No.3 – Service Delivery 2008-09*, pp.443-4

Of the 38 major outputs that made up the 13 output groups, 12 recorded variations in excess of 10 per cent from their targets. The Department provided the Committee with the following explanations:[249]

1. Ambulance Services – Ambulance Non-Emergency Services

Target:	$78.3 million	Actual: $86.7 million	Variance: 10.7 per cent
Revised:	$83.8 million	Actual: $86.7 million	Variance: 3.5 per cent

The 2008-09 actual reflects increased contributions from membership and transport fees, increased funding from other users, and one-off funding for Victorian bushfire recovery and response.

2. Aged and Home Care – Aged Care Assessment

Target:	$38.0 million	Actual: $44.2 million	Variance: 16.3 per cent
Revised:	$38.0 million	Actual: $44.2 million	Variance: 16.3 per cent

The 2008-09 actual reflects increases in Commonwealth funding including Commonwealth grants paid directly to hospitals.

3. Aged and Home Care – Aged Support Services

Target:	$101.4 million	Actual: $111.8 million	Variance: 10.3 per cent
Revised:	$99.1 million	Actual: $111.8 million	Variance: 12.8 per cent

The change in the output cost primarily reflects increased Commonwealth grants paid directly to hospitals in 2008-09.

4. Primary and Dental Health – Community Health Care

Target:	$191.0 million	Actual: $233.2 million	Variance: 22.1 per cent
Revised:	$228.2 million	Actual: $233.2 million	Variance: 2.2 per cent

The 2008-09 actual outcome reflects additional funding for Victorian Bushfire Case Management Service, Bushfire Recovery resources, Drought Counselling, Cranbourne landfill incident Community Support plan and Swine Flu clinics.

5. Small Rural Services – Home and Community Care Services

Target:	$26.3 million	Actual: $32.4 million	Variance: 23.2 per cent
Revised:	$28.7 million	Actual: $32.4 million	Variance: 12.9 per cent

The 2008-09 actual outcome reflects transfers from Aged and Home Care output group to fund small rural agencies, and health sector Enterprise Bargaining Agreement outcomes.

6. Public Health – Health Protection

Target:	$203.0 million	Actual: $236.5 million	Variance: 16.5 per cent
Revised:	$233.3 million	Actual: $236.5 million	Variance: 1.4 per cent

The change in the output cost primarily reflects increases in funding from the Commonwealth for the Australian Immunisation Agreement for Childhood Pneumococcal and Human Papillomavirus vaccines.

249 Department of Human Services, Response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 18 January 2010, pp.39–40

7. Public Health – Public Health Development, Research and Support

Target:	$13.6 million	Actual: $11.8 million	Variance: -13.2 per cent
Revised:	$13.5 million	Actual: $11.8 million	Variance: -12.6 per cent

The 2008-09 actual outcome reflects unspent funding carried forward to 2009-10.

8. Disability Services – Targeted Services

Target:	$73.6 million	Actual: $85.7 million	Variance: 16.4 per cent
Revised:	$84.7 million	Actual: $85.7 million	Variance: 1.2 per cent

The 2008-09 actual reflects additional one-off investment in the aids and equipment program, and increased support provided to individuals with multiple and complex needs.

9. Child Protection and Family Services – Statutory Child Protection Services

Target:	$126.3 million	Actual: $140.6 million	Variance: 11.3 per cent
Revised:	$139.4 million	Actual: $140.6 million	Variance: 0.9 per cent

The 2008-09 actual reflects additional investment in Statutory Child Protection Services to address increased client demand.

10. Child Protection and Family Services – Specialist Support and Placement Services[250]

Target:	$272.2 million	Actual: $290.8 million	Variance: 6.8 per cent
Revised:	$278.9 million	Actual: $290.8 million	Variance: 4.3 per cent

The 2008-09 actual reflects reprioritisation of funding to address increased client demand, and deliver a more integrated model of placement and specialist services and additional investment in Placement and Support Services to address increased client demand.

11. Housing Assistance – Long Term Housing Assistance

Target:	$226.8 million	Actual: $325.1 million	Variance: 43.3 per cent
Revised:	$325.1 million	Actual: $325.1 million	Variance: 0.0 per cent

The 2008-09 actual reflects an increase in Commonwealth funding for the Nation Building National Partnership Agreement for Repairs and Maintenance and new Construction, Remote Indigenous Housing National Partnership Agreement and Social Housing National Partnership agreement. It also includes one-off state funding for Bushfire Recovery Resources.

11.4.2 Other Output Targets

As is appropriate for the department with the largest budget, the Department of Human Services also had the largest number of performance measures, with 219 measures in addition to the budgetary targets. However, the Department had the largest proportion of unmet performance targets, with only 58 per cent met or exceeded. There were 26 targets (12 per cent) where the actual result was more than 10 per cent less than the target.

250 This output group was restructured from the original budget to the revised budget with the separate 'Child Protection Special Services' and 'Placement and Support Services' output groups becoming the 'Special Services and Placement Services' output group.

The Department was unable to provide details of its performance on one measure – 'Compliance with requirement to formally review each child subject to more than two reports in a 12 month period.' The Department explained to the Committee that it intends to review the suite of performance measures related to child protection and that it is developing new systems and processes to monitor child protection (see also Chapter 17).[251]

11.5. Department of Innovation, Industry and Regional Development

11.5.1 Output Costs

Overall, the Department of Innovation, Industry and Regional Development spent $2.4 billion delivering its outputs. This is $200.6 million (9 per cent) higher than the original budget and $27 million (1 per cent) higher than the revised budget. Of the 14 major outputs, only four (29 per cent) recorded actual expenditure within 10 per cent of the original budget and seven (50 per cent) compared to the revised budget.

The outputs were classified into six output groups. Four of these recorded variations in excess of 10 per cent, with the largest variation (658 per cent) occurring in the 'Major Projects' output group (204 per cent variation against revised budget). The 'Skills and Workforce' output group, which accounted for 77 per cent of the Department's expenditure, exceeded its budget by less than 8 per cent (0.5 per cent under the revised budget), so that the Department's overall expenditure was within 10 per cent of the budget.

Table 11.8: Output Costs for the Department of Innovation, Industry and Regional Development

Output group	2008-09 target	2008-09 revised target	2008-09 actual	Budget Variation	Revised Budget Variation
	($ million)	($ million)	($ million)	(%)	(%)
Industries and Innovation	226.1	214.0	204.2	-9.7	-4.6
Investment and Trade	79.4	90.7	71.3	-10.2	-21.4
Regional Development	89.8	102.0	102.8	14.5	0.8
Skills and Workforce	1,690.1	1,830.1	1,820.8	7.7	-0.5
Marketing Victoria	79.4	86.1	97.9	23.3	13.7
Major Projects[(a)]	10.4	25.9	78.8	657.7	204.2
Total	**2,175.2**	**2,348.8**	**2,375.8**	**9.2**	**1.1**

Notes:

(a) The output 'Public Construction and Land Development' (making up the 'Major Projects' output group) was included in the Department of Infrastructure's outputs in the 2008-09 Budget papers; the Department of Transport also included some of the funding from this output in its reporting – see Department of Transport, Annual Report 2008-09, p.170.

Sources: Department of Innovation, Industry and Regional Development, Annual Report 2008-09, Department of Treasury and Finance, Budget Paper No. 3 – 2009-10 Service Delivery

251 Department of Human Services, *Response to the Committee's 2008–09 Financial and Performance Outcomes Questionnaire – Part Two*, received 18 February 2010, pp.10-11

The six output groups had 14 expenditure targets. Actual expenditure for 2008-09 varied by more than 10 per cent for 10 of those targets. The Department provided the following explanations:[252]

1. Industries and Innovation – Sector Development

Target:	$33.1 million	Actual: $39.5 million	Variance: 19.3 per cent
Revised:	$39.7 million	Actual: $39.5 million	Variance: -0.5 per cent

The Sector Development output was 19.3 per cent higher than the 2008-09 target as additional funding was received for the Victorian Industry and Manufacturing Strategy and additional expenditure was incurred against external revenue received in Film Victoria.

2. Industries and Innovation – Innovation

Target:	$39.1 million	Actual: $28.9 million	Variance: -26.1 per cent
Revised:	$33.1 million	Actual: $28.9 million	Variance: -12.7 per cent

The Innovation output was 26.1 per cent lower than the 2008-09 target as funding received for the Victorian Innovation Strategy was rephased to future years to match the program's funding requirements.

3. Industries and Innovation – Science and Technology

Target:	$124.7 million	Actual: $103.6 million	Variance: -16.9 per cent
Revised:	$105.9 million	Actual: $103.6 million	Variance: -2.2 per cent

The Science and Technology output was 16.9 per cent lower than the 2008-09 target as funding received for the Victorian Innovation Strategy was required to be re-phased to future years. A transfer of funding to the Industry Transition Fund also occurred, reducing the actual funding received for this output as it was transferred to another output.

4. Industries and Innovation – Strategic Policy

Target:	$5.1 million	Actual: $6.4 million	Variance: 25.5 per cent
Revised:	$7.2 million	Actual: $6.4 million	Variance: -11.1 per cent

The Strategic Policy output was 25.5 per cent higher than the 2008-09 target as a result of establishing the Economic Infrastructure Division which was funded from the transfer of funding from other outputs.

5. Investment and Trade – Investment Attraction and Facilitation

Target:	$67.8 million	Actual: $60.3 million	Variance: -11.1 per cent
Revised:	$79.9 million	Actual: $60.3 million	Variance: -24.5 per cent

The Investment Attraction and Facilitation output was 11.1 per cent lower than the 2008-09 target due to under expenditure against the Investment Support Program. An application for carryover has been approved by the Treasurer for this underspend, as the commitments are expected to be incurred in 2009-10.

252 Department of Innovation, Industry and Regional Development, Response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 15 December 2009, pp.20-2

6. Regional Development – Regional Infrastructure Development

Target:	$41.1 million	Actual: $65.1 million	Variance: 58.3 per cent
Revised:	$51.2 million	Actual: $65.1 million	Variance: 27.2 per cent

The Regional Infrastructure Development output was 58.3 per cent higher than the 2008-09 target. Additional funding was received for the Small Towns Development Fund and the Victorian Transport Plan through the Regional Infrastructure Development Fund. Additional expenditure was also incurred from prior year accumulated cash balances for the Regional Infrastructure Development Fund.

7. Regional Development – Regional Economic Development, Investment and Promotion

Target:	$48.7 million	Actual: $37.7 million	Variance: -22.6 per cent
Revised:	$50.8 million	Actual: $37.7 million	Variance: -25.8 per cent

The Regional Economic Development, Investment and Promotion output was 22.6 per cent lower than the 2008-09 target. Under expenditure reflects funding allocated to committed projects and initiatives for which acquittal is expected in 2009/10. This includes funding for projects supporting Bushfire Recovery. An application to carryover this funding into 2009-10 has been approved by the Treasurer.

8. Skills and Workforce – Workforce Participation

Target:	$18.5 million	Actual: $21.8 million	Variance: 17.8 per cent
Revised:	$21.6 million	Actual: $21.8 million	Variance: 0.9 per cent

The Workforce Participation output was 17.8 per cent higher than the 2008-09 target due to additional funding received by Treasurer's Advance for the Otways Timber Industry Assistance program.

9. Marketing Victoria – Tourism

Target:	$79.4 million	Actual: $97.9 million	Variance: 23.3 per cent
Revised:	$86.1 million	Actual: $97.9 million	Variance: 13.7 per cent

The Tourism output was 23.3 per cent higher than the 2008-09 target, as additional funding was received for bushfires recovery related activities, business events and the Melbourne Convention Centre Precinct Development.

10. Major Projects – Public Construction and Land Development

Target:	$10.4 million	Actual: $78.8 million	Variance: 657.7 per cent
Target:	$25.9 million	Actual: $78.8 million	Variance: 204.3 per cent

The Public Construction and Land Development output was 657.7 per cent higher than the 2008-09 target as additional funding was received for the Northbank Pedestrian Bridge and expenditure incurred for the cost of sales relating to Parkville Gardens and Kew Development. These expenditures were funded from the sales revenue related to these projects.

11.5.2 Other Output Targets

The Department met or exceeded 83 per cent of its non-cost targets in 2008-09. In 8 per cent of cases, actual results were more than 10 per cent less than the targets.

The Committee noted in its *Report on the 2007-08 Financial and Performance Outcomes* that the Department had a particularly high rate of targets which were significantly exceeded in 2007-08 – 44 per cent of targets were exceeded by more than 10 per cent. Consequently, the Committee recommended that the Department consider putting in place a more rigorous target-setting process.[253]

In 2008-09, the Department exceeded 35 per cent of its targets by 10 per cent or more. This is an improvement on the 44 per cent from 2007-08 but is still by far the largest percentage exceeded among all departments (the next highest is 25 per cent). Explanations for some of the variations were supplied to the Committee and are presented in Table 11.9.

The Committee believes that the Department could further revise its targets. For example, the target 'New investments facilitated', which the Committee highlighted in its *Report on the 2007-08 Financial and Performance Outcomes* as having been significantly exceeded every year since 2000-01,[254] was again significantly exceeded in 2008-09 and has not been modified for 2009-10. Similarly, the Department noted in its response to the Committee explaining why it did not reach its target for 'Value of media coverage generated: International' that it expected the result to continue to decrease in the future[255] and yet the target remains the same in 2009-10.

Recommendation 23: **The Department of Innovation, Industry and Regional Development continue revising its performance targets to ensure that its targets in future years are sufficiently robust.**

253 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes*, May 2009, recommendation 24, p.232

254 ibid., p.236

255 Department of Innovation, Industry and Regional Development, *Response to the Committee's 2008–09 Financial and Performance Outcomes Questionnaire – Part Two*, received 8 February 2010, p.13

Table 11.9: Selected Performance Measure Variations and Explanations for the Department of Innovation, Industry and Regional Development

Output/Output measure	Unit of measure	Target 2008-09	Actual 2008-09	Explanations for variance greater than 10 per cent
Industries and Innovation – Sector Development				
New investments facilitated in financial/shared services	**number**	**5**	**3**	*The 2008-09 Actual is due to the Global Financial Crisis and the effects of the economic downturn.*
Companies participating in Innovation Insights Visits program	**number**	**200**	**134**	*The 2008-09 Actual is due to the effects of the economic downturn and program delay in the first half of the year.*
Industries and Innovation – Small Business				
Business interactions (call, web, in person)	**number**	**180,000**	**265,867**	*An increase in online interactions was the major contributing factor to the greater-than-anticipated number of business interactions. This large increase in usage is attributable to a successful uptake of online smart-forms by small businesses. As this increase utilised existing ICT infrastructure there was no impact on Departmental resources or budget. The business interactions have contributed to increased productivity and reduced regulatory burden for small businesses.*
Industries and Innovation – Innovation				
Design Sector Initiative: Lectures, seminars and workshops held	**number**	**25**	**78**	*The larger number of seminars and attendees reflects performance targets established in the agreement between the State and RMIT University for delivery of Design Victoria programs, and continued demand for Design Victoria's services.* *Design Victoria programs were delivered by RMIT within the existing budget, and do not require any additional commitment of human, infrastructure or capital resources on behalf of the Department.* *Design Victoria commenced operations in 2007-08 and to date over 3,400 businesses have accessed Design Victoria services and over 9,000 people attended seminars, workshops and events.*
Design Sector Initiative: People participating in lectures, seminars and workshops	**number**	**2,400**	**4,695**	
Investment and Trade – Investment Facilitation and Attraction				
Jobs derived from investments facilitated	**number**	**5,000**	**3,808**	*The low 2008-09 outcome is due to the effects of the economic downturn. A larger than usual number of projects that have been worked on during the past year have been marked as not proceeding. This caused a decrease in jobs despite the increase in the value of new investments.*

Output/Output measure	Unit of measure	Target 2008-09	Actual 2008-09	Explanations for variance greater than 10 per cent
New investments facilitated	**$ million**	**1,600**	**3,070**	*This result was achieved through high levels of new investments facilitated in the energy, automotive, retail services and tourism sectors. Amortised projects from previous years have also contributed to the higher than usual expenditure on new investments.*
Investment and Trade – Exports				
Companies provided with export assistance	**number**	**3,250**	**3,885**	*The 2008-09 Target was adjusted to reflect both Opening Doors to Export program usage and the additional budget to support the Victorian Export Network, launched in mid-2008.* *Since 2008-09 the Target has again been adjusted to reflect consolidation of this performance measure with 'Number of firms participating in individual export specific programs'.* *These changes will help to ensure targets are more accurate in future.*
ICT companies provided with export promotion	**number**	**200**	**159**	*Not as many companies as originally anticipated took up export promotion support due to changed economic conditions.*
Number of firms participating in individual export specific programs	**number**	**800**	**1,017**	*For the 2009-10 Budget this measure has been consolidated with the 'Companies provided with export assistance' performance measure. This will help ensure targets are more accurate in future.*
Regional Development – Regional Economic Development, Investment and Promotion				
Companies in regional Victoria provided with assistance from growth opportunities	**number**	**160**	**200**	*Results for Companies in regional Victoria provided with assistance for growth opportunities reflect both strong interest in Regional Development and Small Business Programs by regional businesses and funding availability during 2008-09 under Moving Forward.*
Jobs created in regional Victoria	**number**	**1,000**	**1,956**	*The good results for Jobs created and New investments facilitated in regional Victoria reflect specific initiative and project outcomes, including outcomes of projects supported through the Geelong Investment and Innovation Fund.*
New investments facilitated in regional Victoria	**$ million**	**750**	**1,589**	
Provincial Economic Partnerships – projects supported	**number**	**25**	**34**	*The Provincial Economic Partnerships – projects supported result reflects a change in funding criteria, budget availability under Moving Forward and significant interest by local Government in the initiative.*

Provincial Events held with RDV support	**number**	**55**	**95**	*Regional Development Victoria (RDV) supported a large number of additional events as a result of the February 2009 Bushfires. These additional events, which were in response to a specific need and could not have been forecast, are the main reason for exceeding the* Provincial Events held with RDV support *target.* *The Department reviews each target and measure on an annual basis and revises them from time to time based on factors including budget changes, changes to funding criteria, and knowledge of external conditions. Nonetheless, many of the measures are based on interaction with external stakeholders and clients, or can be impacted by external events (such as a Bushfire or economic conditions), and are therefore subject to some volatility.*
Enquiries to provincial councils about living, working and/or investing in their region	**number**	**500**	**246**	*The* Enquiries to provincial councils about living, working and/or investing in their region *is based on the number of queries directly received by local government through the Make it Happen in Provincial Victoria Website. Due to the bushfires and challenging economic conditions, the Department directed funding toward direct recovery and assistance programs rather than broader promotion activities associated with the Make it Happen in Provincial Victoria Campaign and associated Website. Queries fell in 2008-09 as a result.*
Skills and Workforce – Skills				
Government-funded student contact hours of training and further education provided	**number (million)**	**78.5**	**86.9**	*There was no budgetary impact associated with the additional delivery as the Department is only obligated to pay for the training that it contracts. Any additional training is a business decision of the training organisation and at their cost.* *Many factors influence VET participation, such as economic growth, the level of unemployment, student choices and aspirations and employer training needs and preferences.* *In the past TAFE institutes have delivered more training than that for which they have been contracted, surpassing planned delivery levels.* *This period also saw average hours per enrolment increase. This means that similar numbers of students accounted for more hours in the reporting period.* *All of these factors combined resulted in reported levels higher than the target.*
Number of apprentices/trainees completion who qualify for the completion bonus	**number**	**15,000**	**18,325**	*The increased participation has been accommodated within planned budget provision and therefore has no overall budgetary impact.* *This increase represents an increased number of employers who employed three or more apprentices and/or eligible trainees, and in doing so became eligible for the available completion bonus payments. It also reflects increased commencements of apprentices and trainees in the previous 4-6 year period, due to the underlying strength of the economy and an increased demand for skills.*
Number of individuals assisted through *Skill Up*	**number**	**1,000**	**5,843**	*The increase in approvals for Skill Up support activity has been accommodated within planned budget provision and therefore has no overall budgetary impact.* *In 2008-09, Victorian industries were affected by the economic downturn, forcing many workers out of employment or into seeking alternative employment.*

Marketing Victoria - Tourism				
Value of media coverage generated: International	**$ million**	**80-120**	**59.4**	*The value of international media coverage for Victoria has reduced significantly over the last twelve months as the focus of international communications activities shifted away from traditional print and television channels to a greater adoption of online mediums in an effort to broaden the reach of destination messaging.* *The value of media coverage is calculated by applying the equivalent advertising rate to editorial coverage, the value of this coverage is higher in print and television channels than it is online.* *Tourism Victoria partners with Tourism Australia to generate media coverage in international markets via its Visiting Journalists Program (VJP) and it is estimated that this partnership contributes up to 60 per cent of total media value for Victoria.* *During 2008-09 the VJP delivered considerably less coverage for Victoria mainly due to the strong focus around the launch of the movie* Australia*, which primarily heroes the Northern Territory, Western Australia and Queensland.* *With significant changes in Tourism Australia's public relations strategy and its VJP planned for 2010, it is anticipated that the value of international media coverage will continue to decrease, however it is expected that media reach will be maintained.*

Source: *Department of Innovation, Industry and Regional Development, response to the Committee's 2008–09 Financial And Performance Outcomes Questionnaire – Part Two, received 8 February 2010, pp.3-14*

11.6. Department of Justice

11.6.1 Output Costs

The Department of Justice was the only department to spend less than its original budget on outputs. Its actual expenditure of $3.6 billion was $26 million (1 per cent) less than the original budget and $65.8 million (2 per cent) less in respect to the revised budget. Of its eight output groups, only one varied from its original budget by more than 10 per cent.

Table 11.10: Output Costs for the Department of Justice

Output group	2008-09 target	2008-09 revised target	2008-09 actual	Budget variation	Revised budget variation
	($ million)	($ million)	($ million)	(%)	(%)
Providing a Safe, Secure and Orderly Society	1,773.8	1,791.4	1,754.8	-1.1	-2.0
Legal Support to Government and Protecting the Rights of Victorians	186.2	214.5	218.0	17.1	1.6
Dispensing Justice	415.2	425.5	423.6	2.0	-0.4
Community Operations	222.0	219.0	201.5	-9.2	-8.0
Supporting the State's Fire and Emergency Services	200.0	202.6	204.0	2.0	0.7
Enforcing Correctional Orders	570.3	549.3	538.0	-5.7	-2.1
Protecting Consumers	141.2	137.3	136.4	-3.4	-0.7
Regulating Gaming and Racing	72.2	80.9	78.4	8.6	-3.1
Total	**3,580.9**	**3,620.5**	**3,554.7**	**-0.7**	**-1.8**

Sources: *Department of Justice, Annual Report 2008-09; Department of Treasury and Finance, Budget Paper No. 3 – 2009-10 Service Delivery*

The Department explained this variation in the 'Legal Support to Government and Protecting the Rights of Victorians' output as due to:[256]

- increased demand for legal advice from the Victorian Government Solicitor's Office;
- larger-than-expected grants to Victoria Legal Aid because of increased funding from the State Government and changes to Commonwealth funding arrangements; and
- bushfire response activities by the Victorian Institute of Forensic Medicine.

256 Department of Justice, Response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 11 December 2009, p.54

11.6.2 Other Output Targets

The Department met or exceeded 79 per cent of its other performance targets. For nine measures (10 per cent) the actual result was more than 10 per cent less than the target. There were no measures for which results were not provided. The Department was also one of two that provided historical data on its performance measures where possible, which provided additional capacity to interpret the Department's 2008-09 performance. The Committee commends the Department on its reporting.

The Department generally provided clear and detailed explanations in its annual report for significant variations between targets and actual results.

11.7. Department of Planning and Community Development

11.7.1 Output Costs

The Department of Planning and Community Development delivered $437.5 million worth of goods and services in 2008-09. This was very close to its original budget, being just $0.5 million more than budgeted and $7.7 million less in respect of the revised budget. The Department's activities were classified into three output groups, all of which were within 10 per cent of their budgets.

Table 11.11: Output Costs for the Department of Planning and Community Development

Output group	2008-09 target	2008-09 revised target	2008-09 actual	Budget variation	Revised budget variation
	($ million)	($ million)	($ million)	(%)	(%)
Planning for Liveable Communities	151.6	142.2	146.7	-3.2	3.2
People in Liveable Communities[(a)]	120.0	124.4	124.2	3.5	-0.2
Participation in Liveable Communities	165.4	178.6	166.6	0.7	-6.7
Total	**437.0**	**445.2**	**437.5**	**0.1**	**-1.7**

Note:

(a) The target for this output group is less than what was published in the 2008-09 Budget Paper No. 3 as the 'Multicultural Affairs' output has been subsequently transferred to the Department of Premier and Cabinet and has been included in its target in this report.

Sources: Department of Planning and Community Development, Annual Report 2008-09; Department of Treasury and Finance, Budget Paper No. 3 – 2009-10 Service Delivery

Within those three output groups were 12 budget targets. In three cases, the actual figure varied from the target by more than 10 per cent. The Department explained these instances as follows.[257]

1. People in Liveable Communities – Disability

Target: $11.6 million Actual: $10.3 million Variance: -11.2 per cent
Revised: $11.4 million Actual: $10.3 million Variance: -9.6 per cent

> *The variation between the budget and actual for 2008-09 is mainly due to carry forwards of ($0.5m) for the redevelopment of the* Disability Online Project*, and funds ($0.55m) allocated to the* Companion Card Program *which are expended through the Seniors and Veteran's outputs.*

2. People in Liveable Communities – Adult and Community Education

Target: $50.1 million Actual: $59.1 million Variance: 18.0 per cent
Revised: $57.2 million Actual: $59.1 million Variance: 3.3 per cent

> *Funding from the Victorian Skills Commission was estimated in the 2008-09 Budget to be $11m. However, funding received during the year totalled $17.5m. This relates to funding provided to ACE providers for adult education and training. Other contributing factors for the variation to the budget include* Securing Jobs for Your Future *funding ($2.55m) and* Youth Guarantee *funding ($1.9m) received after the 2008-09 Budget.*

3. Participation in Liveable Communities – Community Development[258]

Target: $53.5 million Actual: $46.9 million Variance: -12.3 per cent
Revised: $55.0 million Actual: $46.9 million Variance: -14.7 per cent

> *Revenue to the Community Support Fund increased by $1.2m and expenditure decreased by $6.8m compared to budget.*

11.7.2 Other Output Targets

The Department of Planning and Community Development met or exceeded 90 per cent of its 154 non-budgetary performance measures, the highest rate of all the departments. Actual results were more than 10 per cent below targets in 7 per cent of cases.

There were no measures for which data were not reported, although the Department did inform the Committee that four targets relating to the 'Neighbourhood houses and men's sheds' output group were misreported in the annual report due to an '*editing/proofing oversight*'.[259]

257 Department of Planning and Community Development, *Response to the Committee's 2008–09 Financial and Performance Outcomes Questionnaire – Part Two*, received 24 February 2010, p.2

258 This output group was restructured from the original budget to the revised budget with the separate 'Community Strengthening' and 'Neighbourhood Houses and Men's Sheds' output groups becoming the 'Community Development' output group.

259 ibid., p.4

11.8. Department of Premier and Cabinet

11.8.1 Output Costs

The Department of Premier and Cabinet's output expenditure for 2008-09 was $632.5 million. This is $85.9 million (16 per cent) more than the original budget and $17.9 million (3 per cent) more compared to the revised budget. Of the Department's four output groups, there was only one for which the actual expenditure exceeded the original target by more than 10 per cent, but that one output group exceeded the budget by 84 per cent. No output groups exceeded the target by more than 10 per cent with respect to the revised budget targets.

Of the 13 original budget targets, actual results varied by more than 10 per cent from the target in four cases, of which three were in the 'Strategic Policy Advice and Projects' output group.

Previous annual reports from the Department had not included output costs or explanations for material variations, causing the Committee to recommend a change to the Department's practice.[260] The Committee was pleased to see that this recommendation has been acted on in the 2008-09 annual report.

Table 11.12: Output Costs for the Department of Premier and Cabinet

Output group	2008-09 target	2008-09 revised target	2008-09 actual	Budget variation	Revised budget variation
	($ million)	($ million)	($ million)	(%)	(%)
Strategic Policy Advice and Projects	89.2	149.6	163.7	83.5	9.4
Public Sector Management, Governance and Support	32.8	34.8	33.5	2.1	-3.7
Multicultural Affairs[(a)]	14.1	14.0	12.8	-9.2	-8.6
Arts and Cultural Development	410.5	416.2	422.5	2.9	1.5
Total	**546.6**	**614.6**	**632.5**	**15.7**	**2.9**

Note:

(a) This was included in the Department of Planning and Community Development's outputs in the 2008-09 Budget Paper No. 3 but was subsequently transferred to the Department of Premier and Cabinet.

Sources: Department of Premier and Cabinet, Annual Report 2008-09; Department of Treasury and Finance, Budget Paper No. 3 – 2009-10 Service Delivery

11.8.2 Other Output Targets

The Department of Premier and Cabinet met or exceeded 86 (87 per cent) of its 99 non-budgetary targets. For only four of the Department's targets (4 per cent) were the actual results more than 10 per cent less than the targets. This is the lowest rate of all departments.

260 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes*, May 2009, recommendation 25, p.248

The Department did not provide actual data for two targets, as the assessment they were based on had been discontinued, to be replaced by a more meaningful measure in 2010-11.[261] Actual results for 2008-09 for these measures were reported by the Department of Treasury and Finance, which showed that one target had been met and the other had not quite been met, but was under by less than 10 per cent.[262]

11.9. Department of Primary Industries

11.9.1 Output Costs

The Department of Primary Industries spent $568.2 million on outputs in 2008-09. This is $87.2 million (18 per cent) more than the original budget and $25.1 million (5 per cent) more with respect to the revised budget. Of the four output groups, three varied from the target by more than 10 per cent.

Table 11.13: Output Costs for Department of Primary Industries

Output group	2008-09 target	2008-09 revised target	2008-09 actual	Budget variation	Revised budget variation
	($ million)	($ million)	($ million)	(%)	(%)
Primary Industries Policy	50.7	49.7	54.3	7.1	9.3
Regulation and Compliance	86.8	96.4	105.3	21.3	9.2
Strategic and Applied Scientific Research	200.7	182.3	175.7	-12.5	-3.6
Sustainable Practice Change	142.8	214.7	232.9	63.1	8.5
Total	**481.0**	**543.1**	**568.2**	**18.1**	**4.6**

Sources: Department of Primary Industries, Financial Statements and Appendices 2008-09; Department of Treasury and Finance, Budget Paper No. 3 – 2009-10 Service Delivery

11.9.2 Other Output Targets

The Department of Primary Industries had the fewest performance measures of all the departments, with just four major outputs and 59 performance measures in addition to the four budget targets. As the Department is one of the smaller portfolios in terms of its budget, the Committee does not consider that the number of performance indicators is necessarily a concern. However, the Committee does note that there are no quality performance measures in one major output – 'Strategic and Applied Scientific Research' – and suggests that the Department consider adding some quality measures.

The Department of Primary Industries was also one of only two departments to provide historical data for its measures where available. The Committee commends the Department for providing this additional information.

The Department met or exceeded 81 per cent of its non-budget targets. There were six targets (10 per cent) which were not met by more than 10 per cent.

261 Department of Premier and Cabinet, *Annual Report 2008-09*, p.127

262 Department of Treasury and Finance, *Budget Paper No.3 – Service Delivery 2009-10*, p.462

11.10. Department of Sustainability and Environment

11.10.1 Output Costs

The Department of Sustainability and Environment spent $1.7 billion on outputs in 2008-09. This was $363.7 million (28 per cent) more than the original budget and $232.7 million (12 per cent) less than the revised budget. In percentage terms, the department recorded the largest variations from both the original and revised budgets.

Much of the over-expenditure compared to the original budget can be attributed to fire suppression activities, for which $338.1 million in addition to the 2008-09 budget was provided to the Department in 2008-09 as part of the 2009 Victorian Bushfire Response and Recovery program.[263]

This accounts for the over-expenditure in the 'Healthy and Productive Land; Healthy, Productive and Accessible Marine, Coastal and Estuarine Systems; and Flourishing Biodiversity in Healthy Ecosystems' output group. The Committee notes significant expenditure variations in two of the other three major outputs as well.

Table 11.14: Output Costs for the Department of Sustainability and Environment

Output group	2008-09 target	2008-09 revised target	2008-09 actual	Budget variation	Revised budget variation
	($ million)	($ million)	($ million)	(%)	(%)
Healthy and Productive Water Systems	277.0	499.0	388.4	40.2	-22.2
Healthy and Productive Land; Healthy, Productive and Accessible Marine, Coastal and Estuarine Systems; and Flourishing Biodiversity in Healthy Ecosystems	689.9	1,062.8	971.5	40.8	-8.6
Less Waste, Less Pollution; and Clean Air, Liveable Climate	210.4	201.8	193.8	-7.9	-4.0
Land Administration and Property Information	127.6	137.7	114.9	-10.0	-16.6
Total	**1,304.9**	**1,901.3**	**1,668.6**	**27.9**	**-12.2**

Sources: Department of Sustainability and Environment, Annual Report 2009; Department of Treasury and Finance, Budget Paper No. 3 – 2009-10 Service Delivery

263 Department of Treasury and Finance, *Budget Paper No.3 – Service Delivery 2009-10*, p.285; Department of Sustainability and Environment, *Annual Report 2009*, p.192

There were eight budget targets within those output groups. For five of those targets, the Department's actual results varied by more than 10 per cent from the original budget. For the three cases in which the actual cost exceeded the budget, the Department provided the following explanations to the Committee.[264]

1. Healthy and Productive Water Systems – Sustainable Water Management and Supply

Target:	$277.0 million	Actual: $388.4 million	Variance: 40.2 per cent
Revised:	$499.0 million	Actual: $388.4 million	Variance: -22.2 per cent

The 2008-09 actual output cost is higher than the 2008-09 target due to additional funding being provided for a significant number of water projects, including Grants for Water Bills for drought effected irrigators, Northern Victoria Irrigation Renewal project and a range of Living Murray projects.

2. Healthy and Productive Land; Healthy, Productive and Accessible Marine, Coastal and Estuarine Systems; and Flourishing Biodiversity in Healthy Ecosystems – Land and Fire Management

Target:	$186.5 million	Actual: $508.1 million	Variance: 172.4 per cent
Revised:	$548.3 million	Actual: $508.1 million	Variance: -7.3 per cent

The higher 2008-09 output cost is due to additional funding being provided for costs associated with the February 2009 fire events.

3. Less Waste, Less Pollution; and Clean Air, Liveable Climate – Environmental Policy and Climate Change

Target:	$77.6 million	Actual: $88.5 million	Variance: 14.0 per cent
Revised:	$77.1 million	Actual: $88.5 million	Variance: 14.8 per cent

The variance between 2008-09 target and actual is due primarily to additional grant program payments to Sustainability Victoria for the Solar Hot Water program.

For the two targets for which there was under-expenditure, the Department supplied the following information.[265]

4. Healthy and Productive Land; Healthy, Productive and Accessible Marine, Coastal and Estuarine Systems; and Flourishing Biodiversity in Healthy Ecosystems – Natural Resources

Target:	$195.1 million	Actual: $164.9 million	Variance: -15.5 per cent
Revised:	$159.5 million	Actual: $164.9 million	Variance: 3.4 per cent

A variance of $34.2 million occurred in the Healthy and Productive Land initiatives in the 2008-09 financial year. The variance occurred in the Caring for our Country, National Landcare Program and Natural Resource Investment Program (NRIP) initiatives.

The variance is due to lower expenditure against the Commonwealth's components of the above programs.

264 Department of Sustainability and Environment, Response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.23

265 Department of Sustainability and Environment, *Response to the Committee's 2008–09 Financial and Performance Outcomes Questionnaire – Part Two*, received 29 January 2010, pp.4-5

5. Less Waste, Less Pollution; and Clean Air, Liveable Climate – Statutory Activities and Environment Protection

Target: $132.8 million Actual: $105.3 million Variance: -20.7 per cent
Revised: $124.7 million Actual: $105.3 million Variance: -15.6 per cent

The variation is due to lower than anticipated grants being paid from the Hazardous Waste and Sustainability Funds.

11.10.2 Other Output Targets

The Department of Sustainability and Environment measured its performance on 80 indicators in addition to the budgetary targets. Compared to the original targets for 2008-09, 60 measures (75 per cent) met or exceeded their targets, with 10 targets (13 per cent) for which the actual results were more than 10 per cent less than the targets. Compared to the revised targets, 62 (78 per cent) measures met or exceeded the targets, with 7 measures (9 per cent) recording variances in excess of 10 per cent below the revised targets.

The Department provided detailed explanations in its annual report for significant variations. The Committee particularly noted the following measures.

Table 11.15: Selected Performance Measure Variations for the Department of Sustainability and Environment

Output/Output measure	Unit of measure	Target 2008-09	Revised target 2008-09	Actual 2008-09
Healthy and Productive Water Systems – Sustainable Water Management and Supply				
Expected water savings through recovery projects currently being implemented	megalitres	210,300	160,300	126,420
Cumulative water savings realised through water recovery projects	megalitres	429,600	369,100	327,840
Rebates approved to households for improved water efficiency in the house and garden	number	32,800	32,800	48,680
Healthy and Productive Land; Healthy, Productive and Accessible Marine, Coastal and Estuarine Systems; and Flourishing Biodiversity in Healthy Ecosystems – Public Land				
Recreational facilities in State Forests with a life expectancy greater than five years	per cent	80	70-75	70

Sources: Department of Sustainability and Environment, Annual Report 2009; Department of Treasury and Finance, Budget Paper No. 3 – 2009-10 Service Delivery

11.11. Department of Transport

11.11.1 Output Costs

The Department of Transport spent $4.4 billion on outputs in 2008-09. That was $100.8 million (2 per cent) more than the original budget and $14.9 million (0.3 per cent) in respect to the revised budget. Expenditure was broken down into three output groups, with 14 budget targets. Actual expenditure for two of the three output groups was within 10 per cent of the budget and 12 of the 14 budget targets were met within 10 per cent.

Table 11.16: Output Costs for the Department of Transport

Output group	2008-09 target	2008-09 revised target	2008-09 actual	Budget variation	Revised budget variation
	($ million)	($ million)	($ million)	(%)	(%)
Public Safety and Security	317.6	363.5	359.9	13.3	-1.0
Public Transport Services	2,773.7	2,795.9	2,797.7	0.9	0.1
Infrastructure Planning, Delivery and Maintenance	1,246.5	1,264.3	1,281.0	2.8	1.3
Total	**4,337.8**	**4,423.7**	**4,438.6**	**2.3**	**0.3**

Sources: Department of Transport, Annual Report 2008-09; Department of Treasury and Finance, Budget Paper No. 3 – 2009-10 Service Delivery

The Department provided the following additional details about variations.[266]

1. Infrastructure Planning, Delivery and Maintenance – Freight, Logistics, Ports and Marine Development

Target: $56.8 million Actual: $68.1 million Variance: 19.9 per cent
Revised: $65.3 million Actual: $68.1 million Variance: 4.3 per cent

Additional freight related activities were approved post May 2008-09 State Budget.

2. Public Safety and Security – Road Safety and Regulation

Target: $114.2 million Actual: $153.1 million Variance: 34.1 per cent
Revised: $144.5 million Actual: $153.1 million Variance: 6.0 per cent

This output includes projects delivered under the Safer Roads Infrastructure Program. There has been an acceleration of the Program during 2008-09 and a reclassification of activities from capital to operating.

11.11.2 Other Output Targets

In addition to the 14 budget targets, the Department of Transport measured its performance relative to 166 other targets. Of these, it met or exceeded 71 per cent. There were 18 targets for which the actual result was more than 10 per cent less than the target and one date target which was exceeded by more than three months. Together these 19 targets with significant negative variations constitute 11 per cent of non-budget measures. There were also three milestone measures for which the Department did not supply actual figures. The notes in the annual report indicated that these milestones had not been met.[267]

266 Department of Transport, Response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 9 December 2009, p.46

267 Department of Transport, *Annual Report 2008-09*, p.172

11.12. Department of Treasury and Finance

11.12.1 Output Costs

The Department of Treasury and Finance spent $238.1 million on goods and services in 2008-09, $3.6 million (2 per cent) more than originally budgeted and $2.8 million (1 per cent) more compared to the revised budget. The Department delivered six output groups. The actual costs for three of these were within 10 per cent of the original budget.

Table 11.17: Output Costs for the Department of Treasury and Finance

Output group	2008-09 target	2008-09 revised target	2008-09 actual	Budget variation	Revised budget variation
	($ million)	($ million)	($ million)	(%)	(%)
Strategic Policy Advice	38.9	34.4	34.4	-11.5	0.1
Financial Management Services	15.8	16.8	17.2	9.1	2.6
Risk Management Services	19.2	21.7	21.8	13.4	0.3
Resource Management Services	79.6	78.7	80.7	1.4	2.5
Regulatory Services	17.8	23.5	23.9	34.2	1.6
Revenue Management Services	63.2	60.2	60.1	-4.9	-0.2
Total	**234.5**	**235.3**	**238.1**	**1.5**	**1.2**

Sources: Department of Treasury and Finance; Annual Report 2008-09, Department of Treasury and Finance, Budget Paper No. 3 – 2009-10 Service Delivery

Those six output groups contained 10 budget targets. In three cases, the actual result was more than 10 per cent higher than the target. In two cases, the actual result was more than 10 per cent less than the target. The Department provided the following explanations for the targets that substantially exceeded budget.[268]

1. Financial Management Services – Financial Reporting

Target: $9.5 million Actual: $11.4 million Variance: 20.1 per cent
Revised: $11.3 million Actual: $11.4 million Variance: 1.0 per cent

> *The increased cost above target was due to the reallocation of existing staff from other outputs to work directly to this output. As a result of this, there was a greater allocation of the Department's corporate overheads to this output and a subsequent reduction in overheads (and costs) for other outputs, namely* Financial and Resource Management Frameworks*, and* Budget and Financial Policy Advice*.*

268 Department of Treasury and Finance, Response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 10 December 2009, p.49

2. Risk Management Services – Land and Infrastructure Investment Management

Target:	$19.2 million	Actual: $21.8 million	Variance: 13.4 per cent
Revised:	$21.7 million	Actual: $21.8 million	Variance: 0.3 per cent

The increased cost above target was mainly due to external funding received for the sale of government properties (land and buildings) and other projects, additional expenses incurred for the repairs and maintenance of properties, and an internal funding re-allocation to further enhance the achievement of core output deliverables.

3. Regulatory Services – Economic Regulatory Services

Target:	$12.1 million	Actual: $18.4 million	Variance: 51.8 per cent
Revised:	$17.9 million	Actual: $18.4 million	Variance: 2.6 per cent

The increased cost above target was mainly due to the funding received from the Department of Primary Industries for the system development for the Victorian Renewable Target Scheme and Victorian Energy Efficient Target Scheme.

11.12.2 Other Output Targets

The Department of Treasury and Finance reported against 84 targets in addition to the 10 budget targets. The Department met or exceeded 73 (87 per cent) of those non-budget targets. Four actual results (5 per cent) were more than 10 per cent less than the target.

CHAPTER 12: ENVIRONMENTAL OUTCOMES

Key findings of the Committee:

12.1 **Overall, the ten government departments and two environmental agencies reduced the amount of energy used and increased the proportion of that energy coming from Green Power, leading to a 2 per cent reduction in overall greenhouse gas emissions from energy use.**

12.2 **Green Power accounted for 19 per cent of the 12 entities' office-based energy use in 2008-09, heading towards but still some distance from the Government's policy to achieve 25 per cent by 2010.**

12.3 **The data suggest that the total amount of waste disposed of in 2008-09 was 26 per cent more than in 2007-08, but that the recycling rates are up and that overall the amount of waste sent to landfill declined. However, there are reasons to believe that at least some of the apparent changes may be more due to imprecise measurement techniques than to actual usage.**

12.4 **The overall amount of paper used by government entities increased, with a decrease in the proportion of recycled content paper being used.**

12.5 **Reported water usage increased in 2008-09, primarily as a result of increased data coverage. Some entities have made significant reductions in their water usage per full time employee.**

12.6 **Greenhouse gas emissions from the entities' vehicle fleets were reduced by 8 per cent in 2008-09. This was primarily achieved through an increase in the use of low emissions vehicles.**

12.7 **Overall, less greenhouse gas has been emitted, with decreases due to energy use and vehicle fleets, and increases from air travel and waste production.**

12.8 **Work done by the environmental agencies suggests that the total amount of greenhouse gas emitted by entities' activities is significantly more that just what comes from the four sources specified in FRD 24C. FRD 24C lists reporting on other sources as an optional measure. Four departments and the two environmental agencies chose to disclose data about additional sources of greenhouse gases in 2008-09.**

12.9 **The environmental agencies and the Department of Justice were the only entities to purchase greenhouse gas offsets other than the Department of Sustainability and Environment, which purchased offsets for the whole government's vehicle fleet.**

12.10 **All departments had included environmental considerations in at least some of their procurement activities.**

12.11 **A significant number of entities did not comply with the requirement in FRD 24C to provide future targets for all seven aspects. In many cases, there was limited reporting of progress against previous targets.**

12.12 Many entities have improved the scope and quality of data in 2008-09. However, there remain issues including non-compliance with requirements, incomplete data coverage, limited trend data, trend data which is not comparable and failure to provide explanations of significant changes. There is scope for further improvement in all these areas so that a full accounting can be provided and proper trends be established.

12.1. Introduction

The Victorian Government has included the '*efficient use of natural resources*' amongst its goals for Growing Victoria Together and has stated its commitment '*to playing a leading role in the national and international efforts to tackle climate change.*'[269]

Financial Reporting Direction (FRD) 24C (Reporting of Office-based Environmental Data by Government Entities) requires all government departments and the two environmental agencies (the Environment Protection Authority and Sustainability Victoria) to report their performance on a number of environmental indicators. This enables the government's progress towards a reduced environmental impact to be monitored. This information has also been used by the Commissioner for Environmental Sustainability in undertaking strategic audits of Victorian government agencies' Environmental Management Systems (EMS),[270] which in 2009 included the production of a supplementary report examining agencies' reporting against FRD 24C in 2007-08.[271] Four recommendations specifically relating to reporting have been made in those reports.

12.2. Financial Reporting Direction 24C

Under FRD 24C, entities are required to disclose information about their performance relating to the following seven aspects:

- energy use;
- waste production;
- paper use;
- water consumption;
- transportation fuel consumption;
- greenhouse gas emissions; and
- sustainable procurement.

FRD 24C only applies to the ten departments plus the Environment Protection Authority and Sustainability Victoria. In addition, it only requires entities to report on their office-based activities. Although a number of departments have voluntarily provided data about non-office-based data in 2008-09, most have still only provided office-based data. The Commissioner for

269 Victorian Government, *Annual Statement of Government Intentions*, February 2009, p.74

270 Commissioner for Environmental Sustainability, *Strategic Audit of Victorian Government Agencies' Environmental Management Systems*, January 2009

271 Commissioner for Environmental Sustainability, *Strategic Audit: Environmental Performance Reporting Supplementary Report 2007-08*, January 2009

Environmental Sustainability has highlighted that these limitations provide a significantly limited amount of data and make it difficult for whole-of-government trends to be concluded on the basis of this information.[272]
The following sections of this report examine the performance of departments and agencies in relation to each of the reporting requirements of FRD 24C.

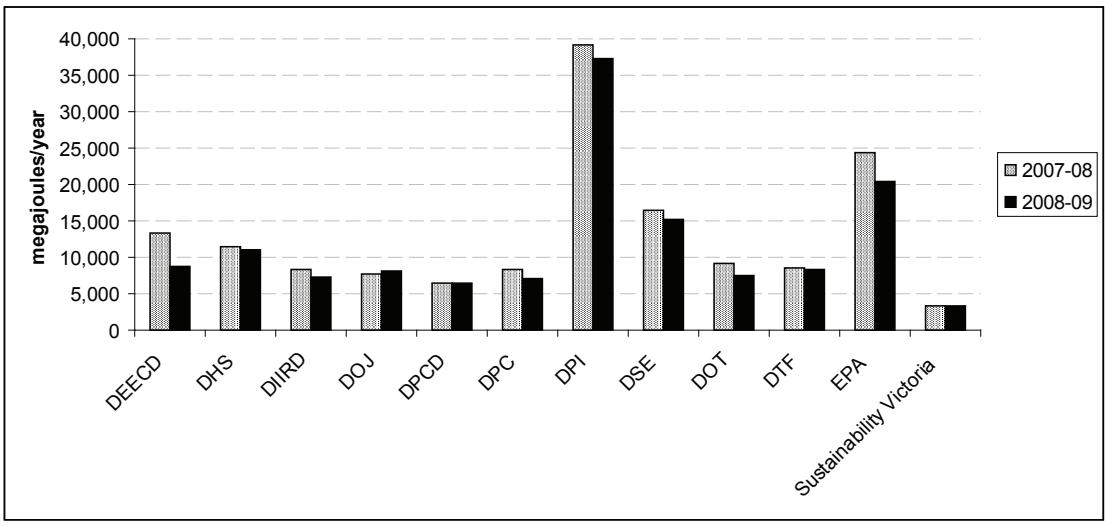
12.2.1 Energy Use

Overall, there was a 2 per cent reduction in the amount of greenhouse gas emissions coming from energy use by the 10 departments and two agencies in 2008-09 compared to 2007-08 (see Table 12.10). This was largely achieved by reductions in the total amount of energy used from 306,413 to 299,116 gigajoules. There was also a small increase in the amount of Green Power used from 41,172 to 42,492 gigajoules. More details are provided in Table 12.1 and Table 12.2.

The majority of departments reduced their total energy use between 2007-08 and 2008-09. Those reducing the most overall were the Department of Premier and Cabinet, the Department of Education and Early Childhood Development and the Department of Innovation, Industry and Regional Development.

The largest reduction came from the Department of Premier and Cabinet, which reduced its usage by 32 per cent. The Department explained that its actions included computers automatically switching off after 30 minutes of inactivity, a culture of turning off computers and a new lighting system.[273] The Department of Education and Early Childhood Development and the Department of Innovation, Industry and Regional Development cited similar programs, with the Department of Innovation, Industry and Regional Development also enabling sleep mode on printers and multifunction devices.[274] The Department of Education and Early Childhood Development achieved the highest reduction in energy use per full time employee (FTE) of any of the government entities (see Figure 12.1).

Figure 12.1: Energy Consumption per FTE by Department/Agency



Sources: Department and agency2007-08 and 2008-09 annual reports

272 Commissioner for Environmental Sustainability, *Strategic Audit: Environmental Performance Reporting Supplementary Report 2007-08*, January 2009, pp.16, 19

273 Department of Premier and Cabinet, *Annual Report 2008-09*, October 2009, p.114

274 Department of Education and Early Childhood Development, *Annual Report 2008-09*, October 2009, p.173; Department of Innovation, Industry and Regional Development, *Annual Report 2008-09*, October 2009, pp.180–1

The Department of Transport, although achieving only a small reduction in the total amount of energy used, did so despite an increase in the number of FTEs and achieved the second largest reduction in energy used per FTE (18 per cent). The Department's actions also included ensuring computers were switched off and introducing computers with smaller environmental footprints. In addition, it sought to limit the growth of peripheral electronic equipment and ensure new office fit-outs were energy efficient.[275]

The actions of the Environment Protection Authority, which achieved a 10 per cent reduction in its total energy use, included energy audits, the installation of insulation at one site and an internal cap and trade scheme across its sites.[276] The cap and trade scheme consisted of setting an overall cap for energy use of each site, which can only be exceeded by purchasing permits which are traded in a 'carbon market'. Energy use included in the scheme covered both electricity and transport, which make up 80 per cent of the Environment Protection Authority's emissions. In addition to reducing its environmental impact, the Environment Protection Authority also hopes to build their capacity '*to service clients impacted by the national [carbon pollution reduction] scheme ... gaining practical experience in the challenges some of our clients will face.*'[277]

Of the departments, the Department of Planning and Community Development had the largest increase, with a 10 per cent increase in energy use. The Department explained that this was due to a 9 per cent increase in the number of staff,[278] and the Committee notes that the amount of energy used per FTE is approximately the same in 2008-09 as it was in 2007-08 (see Table 12.1).

Sustainability Victoria similarly recorded an increase in overall energy use due to an increased number of staff[279] and, similarly, little change in the amount of energy use per FTE.

The Department of Primary Industries had the largest usage overall and per FTE, but its figures include '*research, farming and agricultural plant breeding, which form a significant portion of the department's total energy expenditure.*'[280] The Environment Protection Authority, which reported the second highest amount of energy use per FTE, also included laboratories and air monitoring stations in its totals. The Committee notes that FRD 24C specifically relates to office-based activities and that it is important for all agencies to report in a similar way in order to enable comparison and meaningful interpretation of data. The Committee commends these agencies for tracking the environmental impact of their non-office-based activities as well as their office-based activities, but considers that it would be preferable to follow the approach taken by the Department of Human Services and the Department of Innovation, Industry and Regional Development, which report office-based and non-office-based data separately.

Recommendation 24: The Department of Primary Industries and the Environment Protection Authority consider reporting office-based and non-office-based data separately in future reports.

275 Department of Transport, *Annual Report 2008-09*, October 2009, p.178

276 Environment Protection Authority, *Annual Report 2009*, October 2009, p.49

277 ibid., p.12

278 Department of Planning and Community Development, *Annual Report 2008-09*, October 2009, p.156

279 Sustainability Victoria, *Annual Report 08-09*, October 2009, p.90, n.4

280 Department of Primary Industries, *Financial Statements and Appendices 2008-09*, October 2009, p.66

Table 12.1: Energy Consumption by Department/Agency

	Total Energy Use			Units of Energy Used per FTE		
	2008-09	2007-08	Variation	2008-09	2007-08	Variation
	(gigajoules)	(gigajoules)	(%)	(megajoules)	(megajoules)	(%)
Department of Education and Early Childhood Development[(a)]	22,018	24,400	-10	8,781	13,345	-34
Department of Human Services[(a)]	76,409	79,093	-3	11,045	11,524	-4
Department of Innovation, Industry and Regional Development	6,916	7,532	-8	7,322	8,366	-12
Department of Justice[(b)]	26,268	26,165	0	8,124	7,718	5
Department of Planning and Community Development	6,871	6,236	10	6,556	6,508	1
Department of Premier and Cabinet	2,398	3,525	-32	7,032	8,232	-15
Department of Primary Industries[(c)]	91,385	91,947	-1	37,228	39,120	-5
Department of Sustainability and Environment	43,504	42,833	2	15,168	16,538	-8
Department of Transport	9,768	9,914	-1	7,519	9,216	-18
Department of Treasury and Finance	4,887	5,157	-5	8,391	8,544	-2
Total (departments)	**290,424**	**296,802**	**-2**			
Environment Protection Authority[(c)]	8,241	9,203	-10	20,502	24,346	-16
Sustainability Victoria	451	408	11	3,365	3,344	1
Total (all entities)	**299,116**	**306,413**	**-2**			

Notes:

(a) figures for 2007-08 revised in 2008-09

(b) figures for 2008-09 cover significantly larger proportion of FTEs and sites than figures for 2007-08

(c) includes office and non-office facilities (such as laboratories, air monitoring stations, farms and agricultural plant breeding facilities)

Sources: Department and agency 2007-08 and 2008-09 annual reports

Across the twelve entities, looking at only their office-based activities, Green Power constituted 19 per cent of electricity use in 2008-09 (see Table 12.2). The three largest users of electricity were the Department of Sustainability and Environment, the Department of Primary Industries and the Department of Human Services. The Department of Sustainability and Environment acquired 29 per cent of its electricity from Green Power in 2008-09, the Department of Primary Industries acquired 20 per cent but the Department of Human Services is significantly lower with only 14 per cent of its electricity coming from Green Power.

Overall, the proportion of energy purchased as Green Power increased from 17 to 19 per cent. The proportion of electricity coming from Green Power increased or stayed the same in all agencies except for the Environment Protection Authority. The Environment Protection Authority reduced the proportion of its electricity purchased as Green Power from 100 per cent to 17 per cent '*due to cost and Carbon Pollution Reduction Scheme implications.*'[281] The Authority added that '*additional offsets have been purchased to cover the remaining emissions in electricity.*'[282]

The Environment Protection Authority further explained in its annual 'carbon neutral update' that:[283]

> *EPA is committed to purchasing the highest quality products to neutralise our emissions which meet our criteria. As such, we decided against the purchase of GreenPower as part of our carbon neutrality in 2008–09. We will reassess both the cost and the demonstration of additionality of GreenPower each year and will include it again when appropriate.*

The Committee considers that the Environment Protection Authority's decision to reduce the amount of Green Power it purchases and, in particular, to reduce it to a level below the Government's target for 2010, is significant, given the Environment Protection Authority's expertise and role as a model for other entities.

Recommendation 25: The Environment Protection Authority include in future annual reports its assessment of the value of using Green Power.

281 Environment Protection Authority, *Annual Report 2009*, p.49. This year's figures also included diesel used for backup generators, which previous years did not – ibid.

282 ibid.

283 Environment Protection Authority, *EPA's carbon neutral update 2008–09*, December 2009, p.1

Table 12.2: Use of Green Power by Department/Agency

	2008-09		2007-08	
	(gigajoules)	(% of total electricity use)	(gigajoules)	(% of total electricity use)
Department of Education and Early Childhood Development[a]	2,191	15	2,205	13
Department of Human Services[a]	8,355	14	5,831	10
Department of Innovation, Industry and Regional Development	1,451	21	1,141	15
Department of Justice[b]	2,736	13	2,150	10
Department of Planning and Community Development	1,509	22	1,344	22
Department of Premier and Cabinet	456	19	529	15
Department of Primary Industries[c]	12,172	20	7,148	11
Department of Sustainability and Environment	9,341	29	9,455	28
Department of Transport	1,540	16	1,556	16
Department of Treasury and Finance	977	20	774	15
Total (departments)	**40,728**	**18**	**32,133**	**14**
Environment Protection Authority[c]	1,313	17	8,630	100
Sustainability Victoria	451	100	409	100
Total (all entities)	**42,492**	**19**	**41,172**	**17**

Notes:

(a) Figures for 2007-08 revised in 2008-09

(b) Figures for 2008-09 cover significantly larger proportion of FTEs and sites than figures for 2007-08

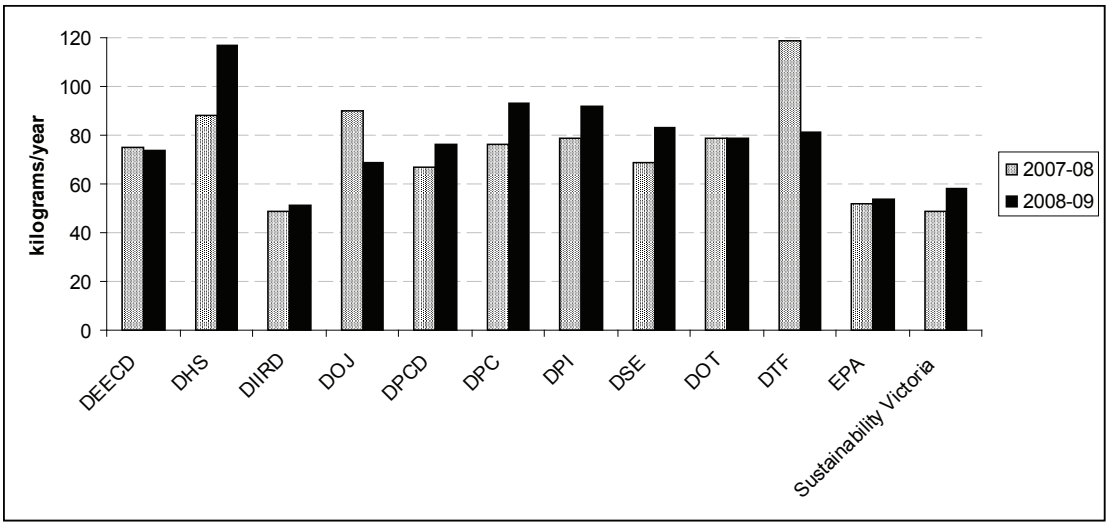
(c) Includes office and non-office facilities (such as laboratories, air monitoring stations, farms and agricultural plant breeding facilities)

Sources: Department and agency 2007-08 and 2008-09 annual reports

12.2.2 Waste Production

Most government entities increased the amount of waste they disposed of in 2008-09, both in total terms and per FTE. Overall, there was a 26 per cent increase in the amount of waste disposed of (see Table 12.3). Significant variations were recorded by entities between their 2007-08 and 2008-09 results, both in total and per FTE (see Table 12.3, Figure 12.2).

Figure 12.2: Waste Disposed of per FTE by Department/Agency



Sources: Department and agency 2007-08 and 2008-09 annual reports

The largest increase in waste production was by the Department of Human Services, who explained that, '*As the 2008-09 waste audits were carried out at different sites than those in 2007-08 that data between the years is not strictly comparable.*'[284]

The Department of Education and Early Childhood Development's increase in total waste disposed of can be explained by reference to an increase in FTEs, as the amount of waste per FTE is approximately the same between years.

The Department of Primary Industries recorded a 46 per cent increase in total waste. It explained that this was due to an increase in the number of sites and FTEs[285] but the department also recorded a 16 per cent increase in waste per FTE.

Other departments with large increases in either the total waste production or quantity of waste per FTE – the Department of Planning and Community Development, the Department of Premier and Cabinet and the Department of Sustainability and Environment – did not provide any explanations for the increase. The Committee noted previously[286] that it would expect to see more detailed and precise reporting to explain such variations and reiterates that requirement at this point. See further discussion in Section 12.5.4.

On the other hand, the Department of Justice and the Department of Treasury and Finance both recorded significant reductions in the amount of waste produced, both in total and per FTE.

The Committee considers that there are reasons to believe that the variation in the amount of waste between 2007-08 and 2008-09 may be at least partially due to the methods employed to estimate the amount of waste rather than an actual increase in the disposing of waste.[287] The Committee suggests that some entities adopt more accurate methods for estimating waste usage in the future in order to make their figures more meaningful.

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284 Department of Human Services, *Annual Report 2008-09*, October 2009, p.182

285 Department of Primary Industries, *Financial Statements and Appendices 2008-09*, October 2009, p.68

286 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes*, May 2009, p.266

287 Commissioner for Environmental Sustainability, *Strategic Audit: Environmental Performance Reporting Supplementary Report 2007-08*, January 2009, p.19

Table 12.3: Office Waste Disposed of by Department/Agency

	Total Office Waste Disposed of			Office Waste Disposed of per FTE		
	2008-09	2007-08	Variation	2008-09	2007-08	Variation
	(kilograms)	(kilograms)	(%)	(kilograms)	(kilograms)	(%)
Department of Education and Early Childhood Development[a]	184,602	137,693	34	74	75	-1
Department of Human Services	897,271	593,120	51	117	88	33
Department of Innovation, Industry and Regional Development	50,050	49,710	1	51	49	4
Department of Justice[b]	138,760	182,426	-24	69	90	-23
Department of Planning and Community Development	79,770	64,661	23	76	67	13
Department of Premier and Cabinet	31,762	32,332	-2	93	76	22
Department of Primary Industries[b][c]	106,913	73,220	46	92	79	16
Department of Sustainability and Environment[a]	240,575	180,040	34	83	69	20
Department of Transport	78,153	84,765	-8	79	79	0
Department of Treasury and Finance	47,154	71,891	-34	81	119	-32
Total (departments)	**1,855,010**	**1,469,858**	**26**			
Environment Protection Authority	21,512	19,779	9	54	52	4
Sustainability Victoria[d]	7,772	5,978	30	58	49	18
Total (all entities)	**1,884,294**	**1,495,615**	**26**			

Notes:

(a) Figures for 2007-08 revised in 2008-0.9

(b) Figures for 2008-09 cover different proportions of FTEs and sites than figures for 2007-08.

(c) Includes office and non-office activities.

(d) Total figures extrapolated from FTE figures.

Sources: Department and agency 2007-08 and 2008-09 annual reports

Although still needing to be cautious about the data, the results suggest that recycling rates improved in 2008-09, with the majority of entities improving their performance (see Table 12.4). Overall, the recycling rate increased from 82 to 85 per cent. However, as a result of the increase in total waste, the amount of waste going to landfill from these government entities increased from approximately 262,000 to 288,000 kilograms.[288]

Sustainability Victoria recorded the largest increase in its recycling rate, explaining that it included more recycling streams in 2008-09, including secure paper recycling and additional plastics recycling,[289] although it also noted that staff members were bringing items to be recycled to work which were not handled in their home municipality.[290] Other reasons given by entities for increased recycling rates included providing recycling facilities to a greater proportion of staff in 2008-09 and staff awareness campaigns.

None of the entities reporting a reduction in their recycling rates provided any explanations.

Table 12.4: Recycling Rate by Department/Agency

	2008-09	2007-08	Variation
	(%)	(%)	(%)
Department of Education and Early Childhood Development[(a)]	83	78	6
Department of Human Services	83	80[(b)]	4
Department of Innovation, Industry and Regional Development	90	88	2
Department of Justice	78	83	-6
Department of Planning and Community Development	89	85	5
Department of Premier and Cabinet	90	93	-3
Department of Primary Industries	85	80	6
Department of Sustainability and Environment	91	87	5
Department of Transport	87	83	5
Department of Treasury and Finance	89	91	-2
Environment Protection Authority	78	82	-5
Sustainability Victoria	97	90	8
Total (all entities[(c)])	**85**	**82**	**3**

Notes:

(a) Figures for 2007-08 revised in 2008-09.

(b) Figure reported as 73 per cent in the Department's annual report but amended by the Public Accounts and Estimates Committee based on figures for units of waste presented in the annual report.

(c) Excluding Sustainability Victoria, which did not provide data on the total amount of waste produced.

Sources: Department and agency 2007-08 and 2008-09 annual reports

288 This figure excludes Sustainability Victoria, which did not provide data on the total amount of waste produced.

289 Sustainability Victoria, *Annual Report 2008-09*, p.50

290 ibid., n.6, p.90

12.2.3 Paper Use

Overall, 2008-09 saw the government entities using more paper in total. The amount of paper used increased by 3 per cent from 2007-08 to 2008-09 to a total of 401,277 reams (see Table 12.5). This follows on from an increase of 2 per cent between 2006-07 and 2007-08.[291] The average proportion of paper used with a recycled content of 50 per cent or greater fell by 3 per cent (see Table 12.6) between 2007-08 and 2008-09. No data was kept on the use of paper sourced from plantations.

Some departments and agencies made significant reductions in the amount of paper used per FTE. The Department of Education and Early Childhood Development reduced its usage per FTE by 30 per cent. Its actions included an online records management program and incorporating paper consumption reduction targets into the business planning cycle.[292] The Department of Transport, which also made a significant reduction per FTE, listed an online records management system as one of its actions for the year too.

Of the four entities whose usage of paper per FTE increased by more than 10 per cent, only the Department of Planning and Community Development provided any explanation, attributing it to the Department's growth and an increase in the level of project activities.[293] The Department of Justice, which recorded a 5 per cent increase per FTE attributed the increase to an '*increase in the demand of paper-rich processes, such as the Bushfire Royal Commission.*'[294] The Department of Innovation, Industry and Regional Development had by far the largest increase, with total paper use increasing by 39 per cent and usage per FTE increasing by 24 per cent.

291 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes*, May 2009, p.268

292 Department of Education and Early Childhood Development, *Annual Report 2008-09*, October 2009, p.175

293 Department of Planning and Community Development, *Annual Report 2008-09*, October 2009, p.158

294 Department of Justice, *Annual Report 2008-09*, October 2009, p.143

Table 12.5: A4 Equivalent Copy Paper Used by Department/Agency

	Total A4 Equivalent Copy Papers Used			A4 Equivalent Copy Papers Used per FTE		
	2008-09	2007-08	Variation	2008-09	2007-08	Variation
	(reams)	(reams)	(%)	(reams)	(reams)	(%)
Department of Education and Early Childhood Development[a]	40,272	41,943	-4	16	23	-30
Department of Human Services	128,218	132,602	-3	11	12	-8
Department of Innovation, Industry and Regional Development	21,148	15,242	39	21	17	24
Department of Justice[b]	67,576	60,674	11	21	20	5
Department of Planning and Community Development	19,008	15,724	21	18	16	13
Department of Premier and Cabinet	8,990	9,880	-9	26	23	13
Department of Primary Industries[a]	27,765	27,990	-1	11	12	-8
Department of Sustainability and Environment[c]	50,020	44,982	11	17	17	0
Department of Transport	22,028	21,493	2	17	20	-15
Department of Treasury and Finance	12,246	13,171	-7	21	22	-5
Total (departments)	**397,271**	**383,701**	**4**			
Environment Protection Authority	3,133	3,575	-12	8	9	-11
Sustainability Victoria	873	793	10	7	6	17
Total (all entities)	**401,277**	**388,069**	**3**			

Notes:

(a) Figures for 2007-08 revised in 2008-09

(b) Figures for 2008-09 cover larger proportions of FTEs and sites than figures for 2007-08

(c) Figures have been amended from what was published in the Department's annual report based on advice to the Committee from the Department

Sources: Department and agency 2007-08 and 2008-09 annual reports

Seven departments used a smaller proportion of recycled paper than in the previous year. The Department of Sustainability and Environment explained that the paper used with less than 50 per cent recycled content was '*almost entirely A3 size and coloured A4 papers not available with higher recycled content.*'[295]

The guidance provided for FRD 24C reporting recommends reporting on the usage of recycled paper by reporting on the amount of used paper falling within three categories, each covering a different range of recycled content values.[296] Not all entities reported as recommended. Where different entities do not provide data on the same basis, it is difficult to monitor the entities' performance relative to other departments and agencies. The PAEC would like to see all entities reporting in line with the guidance in 2009-10.

Table 12.6: Percentage of Paper Used with a Recycled Content of 50 per cent or Higher by Department

	2008-09	2007-08	Variation
	(%)	(%)	(%)
Department of Education and Early Childhood Development[(a)]	82	81	1
Department of Human Services	93	94	-1
Department of Innovation, Industry and Regional Development	90	96	-6
Department of Justice[(b)]	90	92	-2
Department of Planning and Community Development	95	94	1
Department of Premier and Cabinet[(c)]	94	100	-6
Department of Primary Industries	83	92	-10
Department of Sustainability and Environment[(d)]	90	92	-2
Department of Transport	99	100	-1
Department of Treasury and Finance[(c)]	99	99	0
Average (departments)	**92**	**94**	**-3**

Notes:

(a) Figures for 2007-08 revised fin 2008-09.

(b) Figures for 2008-09 cover a wider proportion of sites than figures for 2007-08.

*(c) Report indicates '*percentage of recycled content copy paper purchased*' without specifying what level of recycling content is included in the category.*

(d) Figures have been amended from what was published in the Department's annual report based on advice to the Committee from the Department.

Sources: Departments' 2007-08 and 2008-09 annual reports

295 Department of Sustainability and Environment, *Annual Report 2009*, October 2009, p.14; cf. Department of Transport, *Annual Report 2008-09*, October 2009, p.180

296 Environment Protection Authority, *Guidance for FRD24C Reporting*, p.14, <http://www.epa.vic.gov.au/projects/docs/FRD24B-Guidance-Notes.pdf>, accessed 9 December 2009,

12.2.4 Water Consumption

Overall, there was a 13 per cent increase in the total reported amounts of water usage across the 12 government entities, primarily because a larger proportion of sites was reported on.

The largest increase in reported total usage comes from the Department of Justice. This increase is in part due to the inclusion of a significantly larger proportion of the department's staff and sites – from 40 per cent of FTEs and 37 per cent of locations in 2007-08 to 96 per cent of FTEs and 82 per cent of locations in 2008-09.[297] The department's water usage per FTE remained approximately constant between 2007-08 and 2008-09.

If one does not include the Department of Justice in the calculation, water usage by government entities as a whole decreased by 4 per cent between 2007-08 and 2008-09.

The Committee notes that there is a significant variation in water usage per FTE across the different entities (Table 12.7). Whilst most managed to achieve between 10 and 15 kilolitres per FTE per year, the Department of Treasury and Finance was a significant outlier, with 21 kilolitres per FTE per year. On the other hand, Department of Transport and Sustainability Victoria had significant smaller rates of usage.

Given the above considerations, it can be seen that overall the government entities achieved improved water use efficiency.

297 Department of Justice, *Annual Report 2008-09*, October 2009, p.143; Department of Justice, *Annual Report 2008*, October 2008, p.139

Table 12.7: Water Consumed by Department/Agency

	Total Metered Water Consumption			Metered Water Consumed per FTE		
	2008-09	2007-08	Variation	2008-09	2007-08	Variation
	(kilolitres)	(kilolitres)	(%)	(kilolitres/year)	(kilolitres/year)	(%)
Department of Education and Early Childhood Development[a][b]	15,432	17,192	-10	13	33	-61
Department of Human Services[a]	66,142	54,268	22	10	8	25
Department of Innovation, Industry and Regional Development[b]	7,788	2,404	224	10	3	233
Department of Justice[c]	37,285	8,595	334	12	12	0
Department of Planning and Community Development	11,082	10,995	1	11	12	-8
Department of Premier and Cabinet[b][d]	4,851	n/a	n/a	14	n/a	n/a
Department of Primary Industries	9,466	9,658	-2	12	16	-25
Department of Sustainability and Environment[c]	13,216	10,183	30	8	8	0
Department of Transport	4,916	4,041	22	4	4	0
Department of Treasury and Finance[b][d]	12,469	42,204	-70	21	n/a	n/a
Total (departments)	**182,647**	**159,540**	**14**			
Environment Protection Authority	4,710	5,890	-20	9	11	-18
Sustainability Victoria	135	128	5	1	1	0
Total (all entities)	**187,492**	**165,558**	**13**			

Notes:

(a) Figures for 2007-08 revised in 2008-09.

(b) In 2007-08, it was not possible to break down the water usage in the Treasury Reserve according to the proportions used by each of the departments located there (the Department of Education and Early Childhood Development, the Department of Innovation, Industry and Regional Development, the Department of Premier and Cabinet and the Department of Treasury and Finance); consequently, usage by all departments on the Treasury Reserve was reported within the Department of Treasury and Finance's figures; however, a sub-metering system has now been installed, allowing for the water usage to be apportioned to each of the departments, resulting in a significant drop in the Department of Treasury and Finance's figures and a significant increase in the figures for the other affected departments.

(c) Figures for 2008-09 cover a larger proportion of sites than figures for 2007-08.

(d) Figures have been amended from what was published in the Department's annual report based on advice to the Committee from the Department.

Sources: Department and agency 2007-08 and 2008-09 annual reports

12.2.5 Transportation

Across the government entities, the amount of energy used in vehicular travel reduced by 5 per cent in 2008-09 compared to 2007-08 (see Table 12.8) and the amount of greenhouse gases emitted by the vehicle fleets was reduced by 8 per cent (see Table 12.10). This is partly the result of a reduced quantity of vehicular travel (2 per cent less in 2008-09) and also partly a result of improved efficiency of the vehicles being used (see Table 12.9).

A major contributing factor to the savings has been an increase in the number of hybrid electric vehicles, dual-fuel vehicles and four-cylinder vehicles. Most departments increased the proportion of low-emission vehicles in their fleets. The benefits of this can be seen in Table 12.9, which shows an average reduction of 3 per cent in the amount of greenhouse gasses per 1,000 kilometres travelled.

The guidance for FRD 24C advises listing the different mix of vehicle types as part of the context for reporting on the impact of transportation on the environment.[298] A number of departments this year provided this information, although some did not. Given that the type of vehicle is a major contributor to reduced greenhouse gasses and that the Government has identified the move towards a more environmentally-friendly fleet as important in a number of its policies,[299] the Committee believes that it would assist the tracking of progress towards these goals if all government entities reported on the mix of vehicle types within their fleets.

Recommendation 26: The Department of Treasury and Finance and the Department of Sustainability and Environment revise FRD 24C to make reporting on the number of hybrid-electric, LPG and four-cylinder cars within a government entity's fleet compulsory.

298 Environment Protection Authority, *Guidance for FRD24C Reporting*, p.19, <http://www.epa.vic.gov.au/projects/docs/FRD24B-Guidance-Notes.pdf>, accessed 9 December 2009

299 Victorian Government, *Whole-of-Government Standard Motor Vehicle Policy* (December 2009), pp.15, 35; Department of Sustainability and Environment, *Our Environment, Our Future: Sustainability Action Statement 2006*, p.83; Victorian Government, *The Victorian Transport Plan*, p.112

Table 12.8: Quantity of Transportation by Department/Agency

	Total Energy Consumption by Department Vehicle Fleet			Total Vehicle Travel Associated with Entity Operations		
	2008-09	2007-08	Variation	2008-09	2007-08	Variation
	(gigajoules)	(gigajoules)	(%)	(kilometres)	(kilometres)	(%)
Department of Education and Early Childhood Development[a]	25,643	30,326	-15	6,971,813	8,891,976	-22
Department of Human Services	146,831	145,542	1	39,745,462	38,095,918	4
Department of Innovation, Industry and Regional Development	4,146	4,397	-6	1,270,532	1,338,838	-5
Department of Justice[b]	31,756	39,764	-20	10,029,182	10,958,327	-8
Department of Planning and Community Development	7,580	8,794	-14	2,602,636	2,619,328	-1
Department of Premier and Cabinet	123	175	-30	38,845	56,059	-31
Department of Primary Industries	69,480	72,770	-5	19,522,783	20,979,156	-7
Department of Sustainability and Environment	18,384	17,179	7	5,799,107	5,317,696	9
Department of Transport	8,845	9,135	-3	2,574,291	2,438,663	6
Department of Treasury and Finance	256	264	-3	68,351	80,574	-15
Total (departments)	**313,044**	**328,346**	**-5**	**88,623,002**	**93,839,373**	**-2**
Environment Protection Authority	n/a[c]	n/a[c]	n/a[c]	1,397,400	1,551,229	-10
Sustainability Victoria	188	191	-2	125,074	111,117	13
Total (all entities)	**313,232**	**328,537**	**-5**	**90,145,476**	**924,38881**	**-2**

Notes:

(a) Figures for 2007-08 revised in 2008-09.

(b) Excludes judicial vehicles.

(c) Energy consumption reported in litres of fuel consumed.

Sources: Department and agency 2007-08 and 2008-09 annual reports

Table 12.9: Greenhouse Gas Emissions from the Vehicle Fleet per 1,000 km Travel by Department/Agency

	2008-09	2007-08	Variation
	(t CO2-e)	(t CO2-e)	(%)
Department of Education and Early Childhood Development[(a)]	0.25	0.24	8
Department of Human Services	0.24	0.27	-12
Department of Innovation, Industry and Regional Development	0.23	0.23	0
Department of Justice[(b)]	0.22	0.27	-19
Department of Planning and Community Development	0.21	0.24	-13
Department of Premier and Cabinet	0.23	0.23	2
Department of Primary Industries	0.26	0.25	2
Department of Sustainability and Environment	0.23	0.23	-3
Department of Transport	0.25	0.27	-8
Department of Treasury and Finance	0.27	0.24	14
Environment Protection Authority[(a)]	0.26	0.25	4
Sustainability Victoria	0.10	0.12	-16
Average (all entities)	**0.23**	**0.24**	**-3**

Notes:

(a) Figures for 2007-08 revised in 2008-09

(b) Excludes judicial vehicles

Sources: Department and agency 2007-08 and 2008-09 annual reports

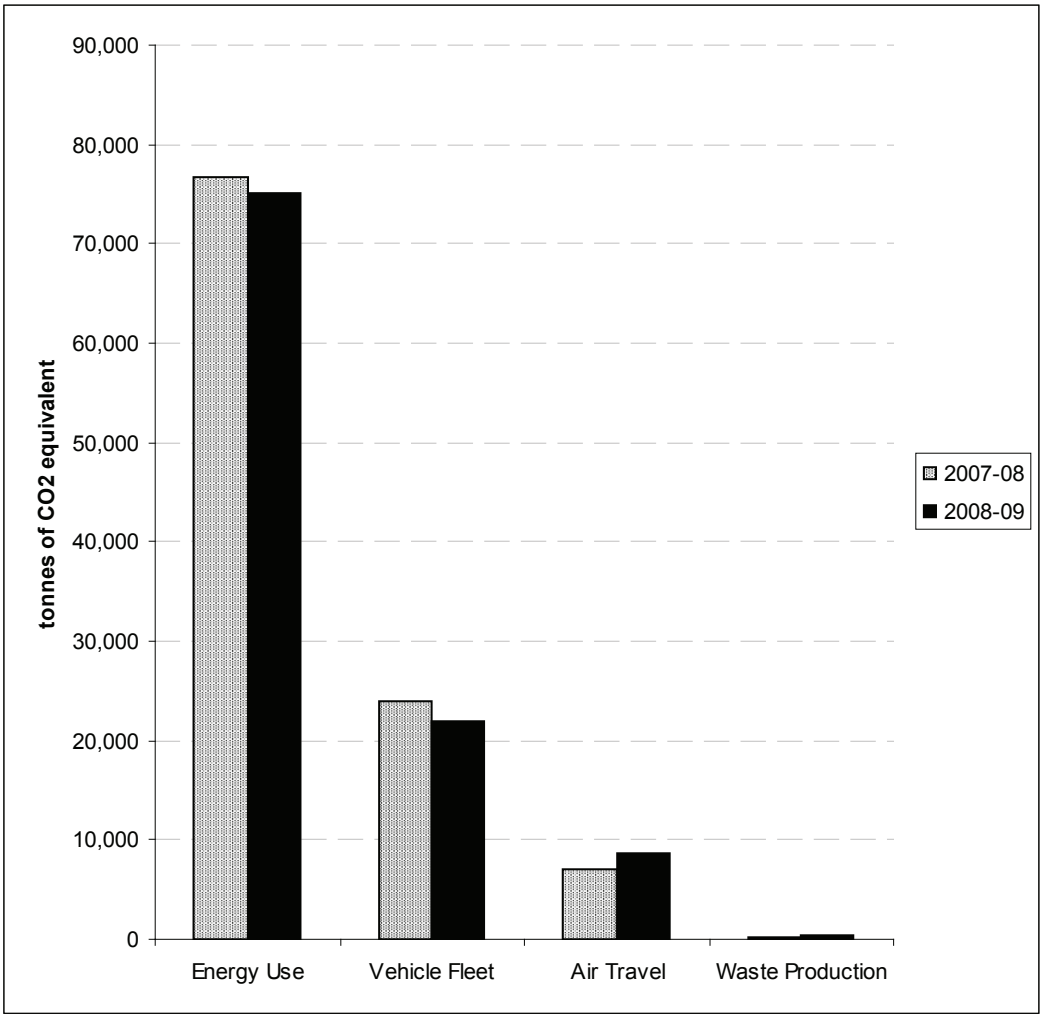
12.2.6 Greenhouse Gas Emissions

FRD 24C requires entities to report on the amount of greenhouse gas produced from four sources:

- energy use;
- the vehicle fleet;
- air travel; and
- waste production.

Based on these measures, the amount of greenhouse gas produced by government entities in 2008-09 was 1.6 per cent less than in 2007-08, dropping from an equivalent of 107,994 to 106,225 tonnes of CO_2. This was a result of reductions in the quantity of emissions from energy use and entities' vehicle fleets (see Table 12.10). Greenhouse gas emissions from air travel and waste production increased in 2008-09 (see Table 12.11) but were smaller in quantity than energy use and the vehicle fleets. Total greenhouse gas emissions by the 12 entities across each of the four sources can be seen in Figure 12.3.

Figure 12.3: Total Greenhouse Gas Emissions Across All 12 Entities



Sources: Department and agency 2007-08 and 2008-09 annual reports

Emissions from energy use were reduced by 2 per cent overall. As discussed in Section 12.2.1, above, government agencies have generally both reduced the amount of energy they consume and increased the proportion of their electricity coming from Green Power. Emissions from vehicle fleets decreased by 8 per cent overall. Contrariwise, there was a 25 per cent increase in emissions from air travel in 2008-09. Greenhouse gas emissions related to air travel are clearly related to the distance travelled. As 2007-08 was the first year in which reporting on air travel was required, it is unclear whether the differences in the amount of air travel between 2007-08 and 2008-09 are typical fluctuations or indicative of a trend.

Regarding greenhouse gas emissions associated with waste production, there was a wide variation in the figures reported by entities. Overall, the Committee notes that the amount of waste sent to landfill in 2008-09 decreased by 5 per cent, but that the amount of greenhouse gas associated with waste disposal to landfill increased by 17 per cent.

FRD 24C also allows for reporting on any other known amounts of greenhouse gas from an entity's activities. Four departments did this for some sources, while the Environment Protection Authority and Sustainability Victoria, aiming to achieve a carbon-neutral status in their activities, calculated their total emissions from all sources.

The Environment Protection Authority has provided a more detailed break-down of how it calculated its total greenhouse gas emissions for 2007-08.[300] This includes the equivalent of 279 tonnes of CO_2 from fuel extraction, 195 tonnes from catering and 58 tonnes from petrol and oil for boats.

In terms of reporting offsets purchased, as required by FRD 24C, there seemed to be some confusion as to what should be included. Some entities reported the offsets purchased on their behalf by the Department of Sustainability and Environment as part of its program to purchase offsets equivalent to all departments' emissions from passenger vehicles. Others did not include this amount. Three entities reported purchasing additional offsets.

Recommendation 27: **The Department of Treasury and Finance and the Department of Sustainability and Environment revise the guidance as to how greenhouse gas emissions and offsets should be calculated.**

300 Environment Protection Authority, *EPA's Carbon Neutral Update 2007-08* (www.epa.gov.vic.au/climate-change/EPA-programs-initiatives.asp, accessed 25 January 2010).

Table 12.10: Greenhouse Gas Emissions from Energy Use and Vehicle Fleets by Department/Agency

	Total Greenhouse Gas Emissions – Energy Use			Total Greenhouse Gas Emissions – Vehicle Fleet		
	2008-09	2007-08	Variation	2008-09	2007-08	Variation
	(t CO2-e)	(t CO2-e)	(%)	(t CO2-e)	(t CO2-e)	(%)
Department of Education and Early Childhood Development[(a)]	4,771	5,690	-16	1,770	2,097	-16
Department of Human Services[(a)]	18,813	19,790	-5	9,805	10,375	-5
Department of Innovation, Industry and Regional Development	2,174	2,326	-7	294	312	-6
Department of Justice[(b)]	6,688	7,394	-10	2,232	2,935	-24
Department of Planning and Community Development	1,951	1,780	10	551	641	-14
Department of Premier and Cabinet	707	1,282	-45	9	13	-31
Department of Primary Industries[(a)]	23,953	24,557	-2	5,045	5,303	-5
Department of Sustainability and Environment	9,339	9,284	1	1,305	1,228	6
Department of Transport	2,994	3,041	-2	631	652	-3
Department of Treasury and Finance	1,423	1,601	-11	19	19	0
Total (departments)	**72,813**	**76,745**	**-5**	**21,661**	**23,575**	**-8**
Environment Protection Authority	2,332	31	7,423	356	355	0
Sustainability Victoria	0	0	0	13	14	-7
Total (all entities)	**75,145**	**76,776**	**-2**	**22,030**	**23,944**	**-8**

Notes:

(a) Figures for 2007-08 revised in 2008-09

(b) Excludes judicial vehicles

Sources: Department and agency 2007-08 and 2008-09 annual reports

Table 12.11: Greenhouse Gas Emissions from Air Travel and Waste Production by Department/Agency

	Total Greenhouse Gas Emissions – Air Travel			Total Greenhouse Gas Emissions – Waste Production		
	2008-09	2007-08	Variation	2008-09	2007-08	Variation
	(t CO2-e)	(t CO2-e)	(%)	(t CO2-e)	(t CO2-e)	(%)
Department of Education and Early Childhood Development[(a)]	1,315	1,332	-1	41	33	24
Department of Human Services	519	712	-27	159	135	18
Department of Innovation, Industry and Regional Development	1,123	787	43	13	6	117
Department of Justice	600	537	12	40	34	18
Department of Planning and Community Development[(a)]	538	470	14	10	10	0
Department of Premier and Cabinet(b)	718	288	149	4	3	33
Department of Primary Industries	1,404	1,096	28	18	16	13
Department of Sustainability and Environment	1040	829	25	25	25	0
Department of Transport[(c)]	807	478	69	17	16	6
Department of Treasury and Finance(b)	390	208	88	7	7	0
Total (departments)	**8,454**	**6,737**	**25**	**334**	**285**	**17**
Environment Protection Authority	80	179	-55	5	5	0
Sustainability Victoria	177	68	160	0.246	0.429	-43
Total (all entities)	**8,711**	**6,984**	**25**	**339**	**290**	**17**

Notes:

(a) Figures for 2007-08 revised in 2008-09

(b) New more inclusive indicator used in 2008-09, making 2007-08 figures not directly comparable

(c) Figures have been amended from what was published in the Department's annual report based on advice to the Committee from the Department

Sources: Department and agency 2007-08 and 2008-09 annual reports

12.2.7 Procurement

All departments had incorporated environmental considerations into at least some of their procurement activities and all were able to list purchases where environmental considerations affected the choice. However, the reporting criteria do not provide any clear way to assess how much consideration is being given to environmental concerns by government entities. The FRD 24C requirements do not give any indications of what proportion of procurement activities are made with environmental consideration, how much weighting is given to environmental considerations or how well environmental considerations are integrated into other procurement policies. The Commissioner for Environmental Sustainability has also noted that '*The reported activity tends to be in policy and program development such as guidelines rather than progress against quantitative targets.*'[301]

Recommendation 28: **The Department of Treasury and Finance and the Department of Sustainability and Environment revise the procurement section of FRD 24C so that the degree to which environmental considerations inform procurement decisions can be ascertained from departmental reporting.**

12.3. Future Targets

FRD 24C also requires entities to disclose at least one future target for each of the seven aspects considered. A number of the government entities did not fully comply with this requirement.

In addition, it was not clear in several cases from reading the 2008-09 annual report what the targets for that year had been, nor whether or not the entity had achieved those targets. In addition, in many cases where 2008-09 targets had not been achieved, no explanation was given as to why this was the case. The Commissioner for Environmental Sustainability has also noted that reporting progress against targets is not stipulated in FRD 24C.[302]

Recommendation 29: **All government entities covered by FRD 24C clearly state in each annual report:**

- **(a) targets from the previous year for each of the seven reporting aspects;**
- **(b) whether or not these targets were met; and**
- **(c) targets for the next financial year.**

12.4. Costs/Savings Associated with Environmental Initiatives

In its questionnaire part 2, the Committee asked departments to quantify the financial costs or savings associated with meeting the environmental initiatives discussed above. This is not a requirement of FRD 24C and responses from departments varied in their handling of this question.

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301 Commissioner for Environmental Sustainability, *Strategic Audit of Victorian Government Agencies' Environmental Management Systems*, January 2009, p.43

302 Commissioner for Environmental Sustainability, *Strategic Audit: Environmental Performance Reporting Supplementary Report 2007-08*, January 2009, p.5

Some departments were able to provide comparisons between the cost of consuming energy, water, paper and fuel from one year to another, but noted that these costs were also influenced by changes to the number of staff, buildings and prices.

Understanding the costs or savings associated with environmental initiatives is important not just for accountability but also for planning and budgeting purposes. For example, the Government's *Our Environment, Our Future* policy requires departments to '*implement all cost-effective energy efficiency opportunities identified with a payback period of four years or less by 2010.*'[303] Capturing these costs may also help to identify which initiatives are more cost-effective and which are less, thereby assisting departments in their selection of which initiatives to pursue.

The Committee anticipates examining the costs and savings associated with environmental initiatives further.

12.5. Issues in the Reporting of Office-Based Environmental Data by Government Entities

12.5.1 Compliance

A number of issues in reporting have been mentioned above, especially the lack of differentiation between office and non-office data, the lack of future targets in some cases and limited information about procurement. There were also a number of other instances where required indicators were not reported against.

The PAEC has noted previously that some entities were not fully complying and the Government has accepted the necessity to reinforce the need for compliance. The Department of Sustainability and Environment was to undertake this through Environmental Management System network meetings.[304] It would seem that this reinforcement needs to continue.

12.5.2 Data Coverage

The usefulness of the reported data was also diminished by limited data coverage in some cases. In terms of energy use, coverage of the data was 60 per cent of sites in one case. In terms of water use, the coverage of the data was as low as 16 per cent of sites for one entity. However, several entities are now providing data that cover all of their sites and significant improvements have been made over the last few years in terms of increasing the coverage by many entities.

Although there is a significant improvement in the extent of coverage from previous years, there is still further work to be done in that area. This is especially the case for water, where three departments' data cover less than half of their FTEs.[305]

Regarding waste audits, there is also a considerable variety of methods used by different entities to estimate total waste. In all cases, extrapolation from limited audits was required, but the basis for the extrapolation varied considerably, from an audit of one day's waste production to an audit of one week's production to one-week-a-month measurements throughout the year.

303 Department of Sustainability and Environment, *Our Environment, Our Future*, July 2006, p.84

304 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes*, p.284 (recommendation 29); *Government Responses to the Recommendations of the Public Accounts and Estimates Committee's 87th Report on the 2007-08 Financial and Performance Outcomes*, p.17

305 Department of Education and Early Childhood Development (*Annual Report 2008-09*, p.176), the Department of Primary Industries (*Financial Statements and Appendices*, p.67) and the Department of Sustainability and Environment (*Annual Report 2009*, p.12)

12.5.3 Trend Data

FRD 24C requires entities to disclose trends in performance for each aspect reported on, and the guidance specifies that trend data must be provided for a minimum of two years.[306] The guidance also explains that '*For each aspect (energy, water, waste etc.) a performance trend for a chosen indicator must be reported*.'[307]

Entities have sought to comply with this in a variety of ways. Some have just provided 2008-09 data for most indicators, and only supplied trend data for one indicator per aspect. Others have provided comparative data for each indicator. In some cases data are only supplied for 2007-08 and 2008-09, in other cases data are supplied going back up to four years. In one case, trend data consisted only of comparing the 2008-09 figures with the baseline data.

It is also important for trends to extend back further than one year. The Commissioner for Environmental Sustainability has recommended five rolling years of data.[308]

Recommendation 30: **The Department of Treasury and Finance and the Department of Sustainability and Environment revise FRD 24C to require entities to provide five rolling years of data for every indicator wherever possible.**

12.5.4 Significant Variations

A final area where there is scope for improvement in environmental reporting concerns explanations for significant variations. The Committee in many areas of financial and performance reporting regards providing explanations of variance of more than ten per cent between years to be good practice. This practice should also be adopted for environmental reporting. The Committee will, in future years, seek explanations from entities for such variances.

306 Environment Protection Authority, *Guidance for FRD24C Reporting*, p.5, <http://www.epa.vic.gov.au/projects/docs/FRD24B-Guidance-Notes.pdf>, accessed 9 December 2009

307 ibid.

308 Commissioner for Environmental Sustainability, *Strategic Audit of Victorian Government Agencies' Environmental Management Systems*, January 2009, p.12

CHAPTER 13: REGIONAL AND RURAL OUTCOMES

Key findings of the Committee:

13.1 **The population of regional Victoria is projected to grow by 477,000 people in the next 30 years. The increasing proportion of older people will have implications for the provision of health, housing and transport services.**

13.2 **Investment and Workforce programs will be vital to the continuing economic and social development of rural and regional Victoria.**

13.3 **Implementation of the *Future Farming* strategy has commenced. However, implementation has been affected by emergencies and unforseen events. The Committee has recommended that reporting on progress should identify any changes to project milestones and explain action which is being taken to ensure full project delivery over a longer time frame.**

13.4 **The Department of Primary Industries received additional funding for drought assistance programs and provided the Committee with further details on the outcomes of the programs.**

13.5 **1,956 new jobs in regional Victoria were created under the *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest* plan in 2008-09, against a target of 1,000 jobs.**

13.6 **Small Towns Development Fund grants totalling $15.6 million were approved for 103 projects, exceeding by 43 the target of 60 projects.**

13.7 **With *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest* now in its final stages, the Committee recommends reviewing its performance measures to guide the development of future strategies.**

13.8 **Arts Victoria supported 20 touring projects to 39 regional destinations. Increased costs of touring and the impact of the bushfires on regional venues reduced the overall number of grants approved.**

13.9 **The Department of Health increased the number of doctors by funding an extra 45 intern places across Victoria. Funding was also provided for 57 rural-based medical specialist trainees with training and incentive payments through the *Strengthening Medical Specialist Training* program.**

13.10 **The Department should undertake long-term planning on recruitment and retention of doctors, nurses and other health workers for rural Victoria.**

13.1. Background

Between the 2001 and 2006 Censuses, almost half the growth in regional Victoria was in three local government areas: the City of Greater Geelong, the City of Ballarat and the City of Greater Bendigo. At the same time, rural areas which have had a long history of population decreases, including some dry land farming areas in parts of Western Victoria, continued to experience declining population.

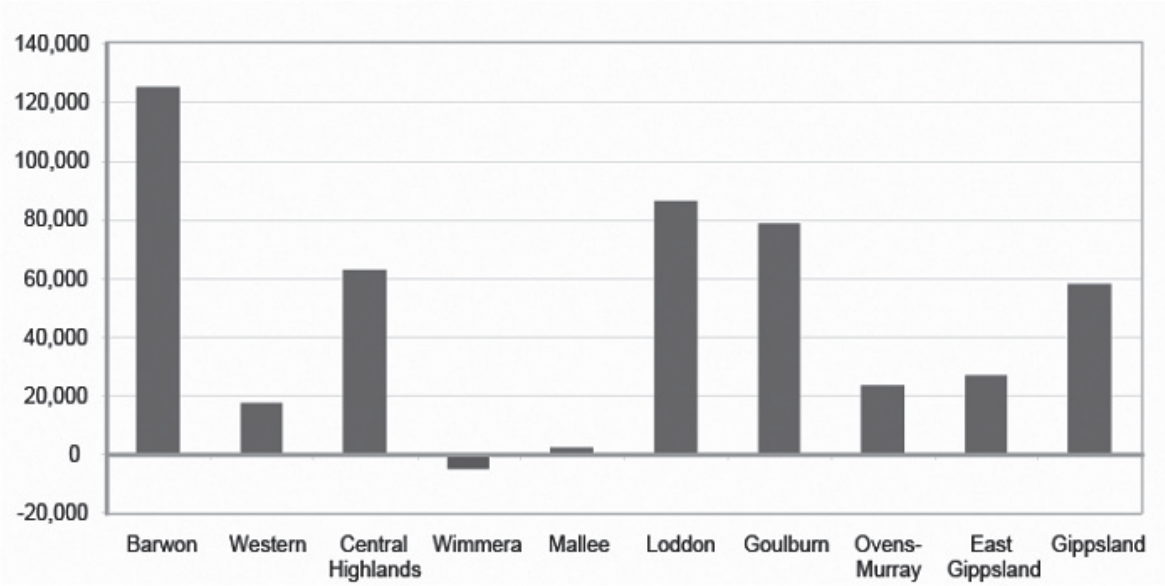
In December 2008, the Government released *Victoria in Future 2008,* its official population and household projections covering the period 2006 to 2036.[309]

According to the new projections, regional Victoria will grow by 477,000 people in the next 30 years, compared with 320,000 in the previous 30 years. Most of this growth is projected to come from net migration from Melbourne.

Strong population growth is expected in:

- regional centres, which have diverse employment opportunities and services;
- coastal areas, which are popular locations for sea changers such as young families and retirees; and
- tree change and other 'lifestyle' locations such as rural areas around Melbourne and the regional centres as well as the Alpine areas and the Murray River.

Figure 13.1 Projected population change 2006-2036

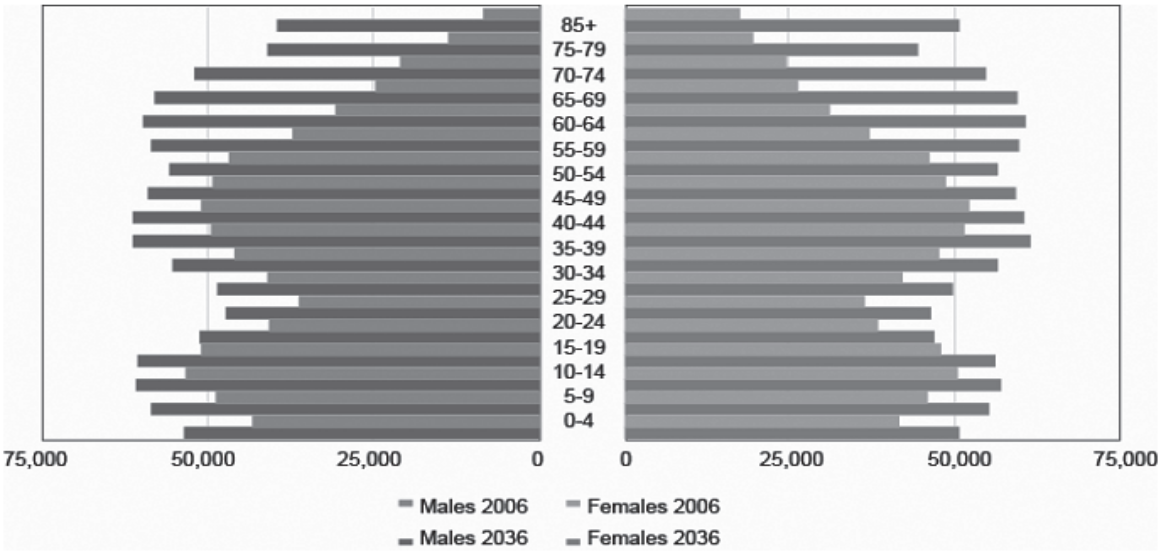


Source: *Department of Planning and Community Development*, *Victoria in Future 2008: Victorian State Government Population and Household Projections 2006-2036, Second release September 2009, Presentation on Regional Victoria*

309 Department of Planning and Community Development, *Victoria in Future 2008* : Victorian State Government Population and Household Projections 2006-2036, Second release September 2009, p4

The population of regional and rural Victoria is ageing. Forecasts indicate the proportion of older people in regional and rural Victoria will increase at a faster rate than in metropolitan Melbourne. By 2018, the age group of 70 years or older will increase to 14 per cent of the rural population, compared with 11 per cent in the metropolitan area.[310]

Figure 13.2 Population distribution by age and sex: Regional Victoria 2006 and 2036



Source: *Department of Planning and Community Development*, *Victoria in Future 2008: Victorian State Government Population and Household Projections 2006-2036, Second release September 2009, Presentation on Regional Victoria*

Population growth and changes in settlement patterns will present significant opportunities and challenges for the future of regional and rural Victoria.

In 2009, the Government established a Ministerial taskforce to develop a long-term blueprint for the sustainable growth of regional Victoria. The blueprint will assist government and communities in planning for the next stage of growth, including land use and settlement planning and the provision of infrastructure and services. It will also consider the key drivers of change and issues including drought and climate change, the ageing population, short and long term movements in international economic conditions, skills and housing shortages and the increased risk of natural disaster.[311]

The *Blueprint for Regional Victoria* will be released in 2010 and will be supported by long-term strategic plans for each of Victoria's regions. The blueprint will effectively succeed the Government's 2005 regional development statement, *Moving Forward – Making Provincial Victoria the Best Place to Live, Work and Invest*, and *Moving Forward Update* (2008) as the centrepiece of regional development policy in Victoria.

310 Department of Health, *Rural directions—for a stronger healthier Victoria*, 2009, p8

311 Business Victoria, What is Regional Strategic Planning? webpage (http://www.business.vic.gov.au/BUSVIC/ARTICLE/PC_63049.html), accessed 4 May 2010

In 2008-09 Victoria experienced its worst natural disaster with the 7 February 2009 bushfires. An estimated 50 local communities in 15 local government areas in rural and regional Victoria were directly affected by the bushfires.[312]

During the year, the effects of one of the worst droughts in Victoria's history, now into its thirteenth year, continued to impact adversely on farmers and rural industries.

These difficult conditions were exacerbated by the economic consequences of the Global Financial Crisis.

Some of these issues, such as the bushfires, the environmental impact of the drought and the wider implications of the Global Financial Crisis are covered elsewhere in this report.

In this chapter, the Committee has chosen to cover the following issues:

- supporting farmers;
- economic development initiatives;
- access to cultural programs;
- transport; and
- health services.

Some of these issues are new, others have been examined in previous years, for example, the outcomes of the *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest* plan and strategies to increase the rural health workforce.

The Committee considers investment and workforce programs to be vital to the continuing economic and social development of rural and regional Victoria, and believes they warrant ongoing scrutiny to ensure the best possible outcomes are being achieved.

13.2. Supporting farmers

13.2.1 Future Farming Strategy

In April 2008, the Government launched the *Future Farming* strategy to improve the productivity, competitiveness and sustainability of farm businesses. The $205 million strategy has seven broad Action Areas, which the Department described as follows:[313]

- ***Boosting productivity through new technology and changes in farming practices***

  Major new investment of $103.5 million to expand agricultural research, development and practice change services in Victoria, including the development of new generations of drought, cold and salt resistant crops, improved plant and animal disease control, and new technologies to lift productivity.

312 Department of Innovation, Industry and Regional Development, *2008-09 Annual Report*, October 2009, p.85

313 Department of Primary Industries, *Future Farming: Productive, Competitive and Sustainable*, 2008, p.3

- ***Building skills and attracting young people to farming***

  ... [Measures to] boost regional education and training opportunities related to farming and its support industries, including new trade wings at secondary colleges for trades that are in short supply in primary industries. ...

- ***Understanding and managing climate change***

  New support of $11.5 million to help farm businesses to plan for climate change and to provide farmers in key industries with new technologies and strategies to adapt their farming systems to future climate conditions.

- ***Strengthening land and water management***

  Additional investment of $24 million for managing weeds and pests, as well as new actions to assist farm businesses to strengthen land and water management.

- ***Helping farm families to secure their futures***

  A $12 million boost for services to support farmers and rural communities in securing their future and adjusting to change, including a new National Centre for Farmer Health to improve the health and wellbeing of farmers, farm workers and their families.

- ***Developing new products and securing new markets***

  An $11 million package of initiatives to help farm businesses capture new domestic and international market opportunities. This includes enhancing Victoria's biosecurity preparedness and identifying new investment opportunities and alliances.

- ***Transporting products to market***

  A $43 million investment in country rail freight lines serving the grains industry to ensure the rail system can continue to deliver future crops to market. Other major investments are the deepening of the Port Phillip Bay channel and the development of a new wholesale market at Epping.

In its annual report, the Department of Primary Industries indicated that the timelines for the *Future Farming* strategy had been adjusted.[314] The Committee requested the Department provide additional information as to:

(a) how much the timelines have been adjusted;

(b) why this has occurred;

(c) the impact of the adjustments on outcomes; and

(d) what measures the Department has put in place to reduce the risk of future adjustments to the timelines being required.

314 Department of Primary Industries, *Financial Statements and Appendices 2008-09*, June 2009, p50

In relation to the above questions, the Department informed the Committee that:[315]

(a) Budget and timelines were adjusted from 2008-09 to the 2009-10 and 2010-11 financial years for the following actions under the Future Farming Strategy:

- *delivering better services to farmers; and*
- *new action on weeds and pests.*

(b) This was a result of:

- *re-deployment of staff to the biosecurity response for Mexican Feathergrass;*
- *re-deployment of resources to the bushfire emergency response and recovery including contribution to the fire fighting effort in partnership with the Department of Sustainability and Environment (DSE) and assisting rural landholders and communities during recovery; and*
- *an initial delay in project commencement due in-part to above-mentioned resourcing issues and some greater complexity in the implementation planning phase than originally anticipated.*

(c) There will not be any impact on the long term outcomes of these initiatives. Project milestones have been amended to ensure projects are delivered on time and within budget in the longer term.

(d) The re-phasing has allowed funding to match the expected project delivery plans to ensure that all deliverables are met.

The Committee accepts that emergencies and unforeseeable events will pose challenges to the implementation schedule of programs being undertaken in rural Victoria. It recommends that in addition to describing the achievements of the *Future Farming* strategy[316], the Department of Primary Industries also provide an explanation of any changes to original project milestones, and the action it is taking to ensure that projects are delivered in line with their planned scope and budget over a longer time frame.

Recommendation 31: In reporting on progress in implementing the Future Farming strategy, the Department of Primary Industries should identify any changes to original project milestones and explain the action which is being taken to ensure full project delivery over a longer time frame.

315 Department of Primary Industries, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 4 February 2010, pp.7-9

316 Department of Primary Industries, *2008-09 Annual Report*, October 2009, p20

13.2.1 Drought assistance

The Committee noted that in the Department of Primary Industries' 2008-09 Financial Statements, the total output cost in 2008-09 for the Sustainable Practice Change output increased from the target of $142.8 million to an actual cost of $232.9 million. The Department explained that the increase in actual expenditure against published budget largely reflected additional funding received for drought assistance programs and Commonwealth and State Exceptional Circumstances Interest Rate Subsidy (EC IRS) assistance. The purchase of land for the Melbourne Market relocation project also contributed to the variance.[317]

The Committee requested the Department provide further details of drought assistance programs and EC IRS assistance.

The Department informed the Committee that the cost breakdown was as follows:[318]

- Drought extension support – $1.1 million;
- Extending the case management approach to supporting farmers through drought and adjustment – $0.5 million;
- On-farm productivity grants – $6 million;
- Municipal rate subsidies – $13.5 million;
- EC IRS – State component – $6.6 million; and
- EC IRS – Commonwealth component – $59.8 million.

The Department explained that the drought assistance programs are designed to deliver immediate relief to families and communities affected by drought and low water availability and to support farmers and rural business owners to adapt to adverse climatic conditions.

The Department advised that the outcomes of drought assistance programs were as follows:[319]

1. Drought Extension Support

Grants totalling $500,000 were allocated to 18 industry organisations to continue to deliver support services to farm businesses, families and communities affected by drought.

Funding for extension support services was provided to seven DPI extension projects, with a focus on dairy and horticulture, to ensure sufficient access for businesses to technical, financial and social support.

2. Extending the Case Management Approach

Funding was provided to train Rural Financial Counsellors in a case management approach to assist with the adoption of Enterprise Action Plans (EAPs) by clients.

317 Department of Primary Industries, *Financial Statements and Appendices 2008-09*, June 2009, p.51

318 Department of Primary Industries, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 4 February 2010, p.7

319 ibid.

3. On-Farm Productivity Improvement Grants

On-Farm Productivity Improvement Grants were provided to 1,029 applicants. These grants were used by farm businesses to invest in infrastructure to improve drought preparedness.

4. Municipal Rate Subsidies

Municipal Rate Subsidies were granted to 7,500 Exceptional Circumstances Relief Payment recipients across 56 Shire and Rural City Councils.

5. Exceptional Circumstances Interest Rate Subsidies (EC IRS)

At 30 June 2009, 13,142 applications for the EC IRS had been granted.

13.1. Economic development initiatives

Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest is the Government's current plan to develop, grow and strengthen regional Victoria. The plan formally concludes in June 2010. The *Blueprint for Regional Victoria,* discussed at the beginning of this chapter, will identify future strategies for regional economic development.

Moving Forward contains 15 major actions. In its *Report on 2006-07 Financial and Performance Outcomes*, the Committee examined *Moving Forward* expenditure, focusing on two major funds, the *Provincial Victoria Growth Fund* and the *Regional Infrastructure Development Fund* which accounted for two of the 15 actions.[320] The Committee had recommended that Regional Development Victoria should include in its annual report a detailed breakdown of expenditure on each of the initiatives and more detailed analysis of performance against the actions.[321] The Government accepted this recommendation in part, agreeing that Regional Development Victoria would improve clarity around information in future annual reports that relates to *Moving Forward* initiatives, but noting that the annual report was only one source of information on the operations of Regional Development Victoria. Additional information was provided through the Regional Development Victoria website, the Regional Development Victoria Newsletter (*Moving Forward*) and other publications that were released from time to time.[322]

In its report the following year, the Committee examined the progress made to date on addressing the 15 actions in *Moving Forward*.[323] The Committee recommended that the Department of Innovation, Industry and Regional Development and Regional Development Victoria develop a clear, useful and concise means for reporting financial information associated with the plan.[324]The Government accepted the recommendation in principle, and advised that Regional Development Victoria would review whether presentation of information in the annual report can be enhanced.[325]

320 Public Accounts and Estimates Committee, *Report on 2006-07 Financial and Performance Outcomes*, May 2008, pp.455–7

321 ibid, p.457

322 Victorian Government, response to the Committee's *Report on the 2006-07 Financial and Performance Outcomes*, November 2008, p.37

323 Public Accounts and Estimates Committee, *Report on 2007-08 Financial and Performance Outcomes*, May 2009, pp.291–6

324 ibid., p.291

325 Victorian Government, response to the Committee's *Report on the 2006-07 Financial and Performance Outcomes*, November 2008, p.21

The Committee acknowledges that a list of all grants provided under *Moving Forward* is included in both the Department of Innovation, Industry and Regional Development's and Regional Development Victoria's annual reports. However, it is the Committee's view that there remains scope for improved reporting on performance. The Committee has noted that in 2008-09, there were significant variations between the target output and the actual output in many of the performance measures related to *Moving Forward.* The Committee requested further information from the Department of Innovation, Industry and Regional Development about these performance measure variations, and asked the Department about the assumptions behind the targets and the appropriateness of the performance indicators.

Table 13.1 Regional Development – Regional Economic Development, Investment and Promotion

Performance measure	Unit of measure	Target 2008-09	Actual 2008-09	Explanations for variance greater than 10 per cent
Output cost	$ million	48.7	37.7	**Question:** The Annual Report explains that this variation occurred largely as a result of under-expenditure in grant programs. Please provide details of the grant programs with under-expenditure, a detailed explanation for the under-expenditure and what effects the under-expenditure and any delays incurred has had on regional Victoria. **Response:** The majority of the cost variance for the Regional Economic Development, Investment and Promotion Output in 2008-09 actually represents the payment of grants to Tourism Victoria which is reflected in an increase in expenditure against the Tourism Output rather than the Regional Economic Development, Investment and Promotion Output. Hence, this has no impact on service delivery. The main program variance is attributable to the Geelong Investment and Innovation Fund. Variance represents commitments made in 2008-09 that are expected to be paid in 2009-10 on completion of agreed milestones and therefore no impacts are anticipated.
Companies in regional Victoria provided with assistance from growth opportunities	number	160	200	**Question:** These results exceeded the target by a considerable margin. Please outline the major factors that enabled these results to be achieved and comment on the veracity of the assumptions behind the establishment of the original targets or forecasts. **Response:** Results for *Companies in regional Victoria provided with assistance for growth opportunities* reflect both strong interest in Regional Development and Small Business Programs by regional businesses and funding availability during 2008-09 under *Moving Forward*.
Jobs created in regional Victoria	number	1,000	1,956	The good results for *Jobs created* and *New investments facilitated in regional Victoria* reflect specific initiative and project outcomes, including outcomes of projects supported through the Geelong Investment and Innovation Fund.
New investments facilitated in regional Victoria	$ million	750	1,589	

Performance measure	Unit of measure	Target 2008-09	Actual 2008-09	Explanations for variance greater than 10 per cent
Provincial Economic Partnerships – projects supported	number	25	34	The *Provincial Economic Partnerships – projects supported* result reflects a change in funding criteria, budget availability under *Moving Forward* and significant interest by local Government in the initiative.
Provincial Events held with RDV support	number	55	95	Regional Development Victoria (RDV) supported a large number of additional events as a result of the February 2009 Bushfires. These additional events, which were in response to a specific need and could not have been forecast, are the main reason for exceeding the *Provincial Events held with RDV support* target. The Department reviews each target and measure on an annual basis and revises them from time to time based on factors including budget changes, changes to funding criteria, and knowledge of external conditions. Nonetheless, many of the measures are based on interaction with external stakeholders and clients, or can be impacted by external events (such as a Bushfire or economic conditions), and are therefore subject to some volatility.
Enquiries to provincial councils about living, working and/or investing in their region	number	500	246	**Question:** Please provide a detailed explanation for this variation. Given that the amount of investment was significantly higher than estimated, despite the low numbers of enquiries to provincial councils, does this indicate that people are substantially using other means for gaining information about regional Victoria? If so, would a different performance indicator be more appropriate in future years? **Response:** The *Enquiries to provincial councils about living, working and/or investing in their region* is based on the number of queries directly received by local government through the Make it Happen in Provincial Victoria Website. Due to the bushfires and challenging economic conditions, the Department directed funding toward direct recovery and assistance programs rather than broader promotion activities associated with the Make it Happen in Provincial Victoria Campaign and associated Website. Queries fell in 2008-09 as a result.

Source: *Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, pp.7–9*

The Committee notes that the response to its questions focused mainly on the circumstantial reasons why the actual output was different from the target. The Department should review performance indicators and associated targets on a regular basis to ensure their currency and consistency.

The Committee also asked more detailed questions about the following performance indicators.

13.1.1 Jobs created in regional Victoria

In its *2008-09 Annual Report*, the Department of Innovation, Industry and Regional Development advised that, under its support programs, 1,956 new jobs had been created in regional Victoria, almost twice its target number of 1,000 jobs.[326]

The Committee asked the Department to clarify the following points:

- Of those jobs created by the Department, how many are full-time and how many part-time?
- Were the new jobs created by Departmental activities in different industries from those in which the job losses are occurring? Is there a connection between the jobs created and Departmental programs (e.g. *Skill Up*)? If so, how does the Department establish this connection?
- Are the new jobs in different locations to where the job losses are occurring? If so, has there been in increase in out-migration from particular areas and are there any programs to assist these areas with the consequences of out-migration?

In response, the Department advised that the 1,956 new jobs were Full Time Equivalent positions and that:[327]

> *The new jobs were created in a range of industries, some of which ABS data showed had declined in overall employment numbers. Many of the jobs facilitated were in the food and related industries sector, which grew in a number of regions with increases in agriculture, forestry and fishing.*
>
> *Job targets and outcomes reported in the Annual Report and Budget Papers are associated with Departmental programs and associated activities. This includes direct grants and other facilitation services.*
>
> *Jobs have been facilitated in regions the ABS data indicates have been experiencing both growth and decline.*
>
> *A number of the jobs facilitated were in the Hume region, which according to the ABS data quoted in the question experienced a decline in employment.*
>
> *A proportion of the jobs created also relate to intervention in response to specific, identified job losses. For example, the Geelong Investment and Innovation Fund facilitated new jobs in Geelong in the wake of the announcement of Ford's Geelong engine plant closure and the proposed loss of about 600 jobs by 2010.*
>
> *Another program, the Rural Skills Connect Program, is designed to use the transferable skills of the farm related sector to meet rural industry skill gaps.*

326 Department of Innovation, Industry and Regional Development, *2008-09 Annual Report*, October 2009, p.239

327 Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, p.36

13.1.2 Regional Infrastructure Development Fund

In reporting on its outcome targets and performance, the Department of Innovation, Industry and Regional Development advised that additional funding received for the Small Towns Development Fund and Victorian Transport Plan enabled a significant increase in Regional Infrastructure Development Fund and Small Towns Development Fund projects.[328] The Committee asked the Department to provide further details on:

- the selection process;
- the location in Victoria of the funded projects (with the help of a spreadsheet and maps); and
- measures to ensure that the funding is achieving valuable outcomes and contributing to the *Growing Victoria Together* vision.

Regional Infrastructure Development Fund (RIDF) and Victorian Transport Plan (VTP)

The Department of Innovation, Industry and Regional Development informed the Committee that:[329]

> *The Government announced $7.5 million of funding for the Local Roads to Market Program (LRMP), $20 million for the Regional Aviation Fund (RAF) and $10 million for the Provincial Pathways Program (PPP) in the Victorian Transport Plan (VTP) in December 2008. The funding was provided through the Regional Infrastructure Development Fund (RIDF).*
>
> *All RIDF projects are assessed and evaluated on their merits against established criteria (which are publicly available) prior to approval. Project proposals are required to meet a significant number of the following criteria:*
>
> – *Economic;*
> – *Socio-economic;*
> – *State and Regional Priority;*
> – *Project Feasibility and Delivery;*
> – *Victorian Industry Participation Policy (VIPP); and*
> – *Financial.*

328 Department of Innovation, Industry and Regional Development, *2008-09 Annual Report*, October 2009, pp.238, 242

329 Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, pp.32-4

Projects considered for funding under RIDF sub-programs may also be evaluated against program specific eligibility criteria, including the following for VTP initiatives:

Local Roads to Market Program (LRMP)

LRMP projects must comply with the published RIDF guidelines in the first instance. LRMP projects are evaluated against a separate set of eligibility criteria devised specifically for LRMP outcomes. The objective of the LRMP is to improve the efficiency and competitiveness of agricultural and horticultural producers and related industries through the strategic upgrade of local roads for B-double access.

Regional Aviation Fund (RAF)

RAF projects must comply with the published RIDF guidelines in the first instance. Projects are also subjected to evaluation against a separate set of eligibility criteria devised specifically for RAF outcomes. The RAF program recognises the potential for regional airports to boost economic development in regional Victoria by catering for increased tourism and business visitation, and providing infrastructure that facilitates easier and more efficient transportation access to and from Victoria's regional communities.

Provincial Pathways Program (PPP)

PPP projects must comply with the published RIDF guidelines in the first instance. The PPP provides funding assistance for the development of pathways/trail networks to generate economic, social and recreational benefits. Specifically the PPP seeks to:

- *stimulate tourism and other economic activity by attracting more people, jobs and investment to regional Victoria;*
- *deliver the right balance of skills and industry needed to drive future growth; and*
- *promote sust*ainable development and better land management.

Following assessment by Regional Development Victoria (RDV), all RIDF projects are reviewed and recommendations made by an Interdepartmental Committee (RIDC). The RIDC is chaired by RDV and includes representatives from the Departments of Premier and Cabinet, Treasury and Finance, and Transport. Recommendations are then made to the Minister for Regional and Rural Development.

Under the third round of LRMP funding, project recommendations are now being considered by the Minister for Regional and Rural Development for the funding of 54 road infrastructure projects across 32 regional and rural Councils.

Since the announcement of the VTP funding (December 2008), the following RAF projects have been announced by the Government:

Table 13.1: RIDF RAF (VTP) projects announced (as at 11 January 2010)

Project Name	Location	RIDF Funding ($)
Mildura Airport Upgrade	Mildura	5,720,000
Ballarat Airport Investment Attraction	Ballarat	3,434,784
Portland Airport Upgrade	Portland	1,350,000
Warrnambool Airport Stage 2	Warrnambool	492,000
Total		**10,996,784**

Source: Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, p.33

Since the announcement of the VTP funding (December 2008), the following PPP projects have been announced by the Government:

Table 13.2: RIDF PPP (VTP) projects announced (as at 11 January 2010)

Project Name and Location	Council Area	RIDF Funding ($)
Great Ocean Walk off road development for sections around 12 Apostles	Corangamite Shire Council	871,970
Tarra Trail (Stage 1) Yarram to Alberton	Wellington Shire Council	200,000
Wangaratta to Everton Loop Trail (link back to the Murray to the Mountain Rail Trail)	Rural City of Wangaratta	400,000
Surf Coast Walk (Torquay to Anglesea)	Surf Coast Shire Council	800,000
East Gippsland Two Short Walks (Marlo and Mallacoota)	East Gippsland Shire Council	1,612,546
Total		**3,884,516**

Source: Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, p.34

All funded projects must comply with the RIDF and sub-program specific criteria for outcomes which enhance productivity, liveability and sustainability in regional Victoria:

LRMP and RAF

A specific set of Key Performance Indicators have been created to ensure that the different social and economic benefits derived from projects are captured. Project proponents are required through a legal agreement to report on the project outcomes. This data capture and reporting allows assessment against RIDF objectives and GVT Vision and Goals.

Specific measures align to the initiative specific objectives as identified above.

PPP

All PPP projects are required to report back on the economic, social and recreational benefits of the project over a two year period. Project proponents are required through a legal agreement to report on the project outcomes. Measures include the:

- *Tourism Impact of the project;*
- *impact of increased visitation to the region on local businesses and the success of a marketing strategy to the region;*
- *Economic Impact through new or ongoing investment, employment growth or other benefits that can be attributed to the Project;*
- *Social Outcomes such as the recreational/commuter usage, new programs to encourage local activities, lifestyle enhancement; and*
- *Environmental Impacts that seek to set out details available as to the impact of the completed trail with reference to surrounding land/urban environments.*

Small Towns Development Fund

Delivering greater support for small towns is one of the 15 actions identified in *Moving Forward*. The Small Towns Development Fund (STDF) is one of the initiatives under this action. In 2008-09, STDF grants totalling $15.6 million were approved, with a total project cost of $28.8 million.[330] Funding was approved for 103 projects – 43 more than the minimum measure of success of 60.

The Department advised that the STDF is a sub-program of RIDF which:[331]

> *...assists communities in Victoria's smaller towns to create new opportunities for growth and develop economic and social infrastructure. As the STDF is a rolling funding program, applications are invited from the 48 regional Councils all year round.*
>
> *Potential projects are generally identified by Council through their strategic planning process, and normally hold a high priority for Council and Community.*
>
> *All projects must meet the STDF program objectives to:*
>
> - creat*e new opportunities for economic growth and development;*
> - *develop economic and social infrastructure; and*
> - *enhance the liveability of rural communities.*
>
> *The STDF is aiding the government to achieve the 'Building friendly, confident and safe communities' objective of the* Growing Victoria Together *vision by developing and improving important social and economic infrastructure.*

330 Regional Development Victoria *2008-09 Annual Report*, October 2009, p.242

331 Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, p.35

13.1.3 Evaluating Moving Forward: performance measures

Moving Forward is now in its final stages and the Committee recommends that in evaluating the outcomes of *Moving Forward*, the Department should ensure that the appropriateness of the performance measures and the approach to setting targets are addressed, and recommendations for improvement are sought. In establishing the reporting framework for future regional economic development strategies, the Department of Innovation, Industry and Regional Development should take into account the Committee's recommendations in 2006-07, 2007-08 and the recommendation in this report to ensure that the annual target for each performance measure is a more accurate indication of the actual outcome for that year.

Recommendation 32: **An evaluation of the outcomes of Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest (2005) and Moving Forward: Update, The Next Two Years 2008 to 2010 (2008) should address the appropriateness of the performance measures which were used and the approach to setting the targets for these measures with a view to ensuring improved reporting on the delivery of future programs.**

13.2. Access to cultural programs

Arts Victoria: Touring Victoria program

The *Touring Victoria* program supports, encourages and enables the touring of quality, professional Victorian artistic works to regional and outer-metropolitan communities across the State.

The program aims to:[332]

- *provide regional Victorians with access to a diverse range of artistic and cultural experiences no matter where they live;*
- *support the environment for presentation of quality programming in outer-metropolitan, regional and rural communities; and*
- *build the viability of Victoria's creative industries through developing new markets and audiences for Victorian producers, creators and companies.*

Arts Victoria reported that in 2008-09, the Touring Victoria program had not met its target of 53 destinations, and that the actual number was 32. Arts Victoria advised that increased costs of touring and the impact of the bushfires on regional venues resulted in fewer grants being able to be supported. [333]

332 Arts Victoria, Touring Victoria webpage (http://www.arts.vic.gov.au/content/Public/Funding_Programs/Touring_Victoria.aspx), accessed 4 May 2010

333 Department of Premier and Cabinet, *2008-09 Annual Report*, October 2009 , p.129

The Department of Premier and Cabinet advised the Committee that in 2008-09:[334]

> *...the Touring Victoria program supported 20 touring projects, which included touring to 39 regional destinations. This resulted in over 125*[335] *presentations in regional Victoria.*
>
> *Program evaluation from the 2008-09 financial year found that 78% of producers surveyed stated that tours were successful in extending employment for the arts professionals involved. There is also a flow-on effect for workers in the venues receiving shows, including front of house, technical and curatorial staff.*

13.3. Transport Accessibility

The Victorian Transport Plan (VTP) released by the Government in December 2008 aims to support the continued growth of regional Victoria through major investment in transport links to support key regional industries, improved safety on the transport network and meeting current demand and future growth.

The VTP includes proposed upgrades of critical roads and continues investment in the Regional Rail Freight Network to ensure the efficient movement of goods around the State and to major export points.

Under the VTP, more frequent public transport connections to Melbourne and more local bus services are planned. This includes more V/Line train carriages and improvements to regional roads.

For smaller regional towns, the VTP aims to support more bus connections and flexible community transport options to improve access to medical and other services, shops and entertainment.

Country passenger rail network

The Department of Transport reported that in 2008-09, it had delivered 80 per cent of planned infrastructure asset renewal/maintenance activities (according to value) associated with the country passenger rail network within project timelines, as against its target of 90 per cent.[336]

In response to the Committee's request, the Department provided a list of the top five planned infrastructure asset renewal/maintenance activities (according to value) that were not delivered within project timelines, together with the timelines as to when each project is to be delivered (see table overleaf).

334 Department of Premier and Cabinet, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 2 February 2010, p.4

335 Based on the number of performances/exhibitions of the touring work, excluding related activities such as workshops and artists talks. Information on multiple presentations is also incomplete, as all acquittal data for 2008/09 is yet to be submitted owing to touring and reporting timelines.

336 Department of Transport, *2008-09 Annual Report*, October 2009, p.171

Table 13.2 Top five asset renewal/maintenance activities (according to value) not completed as at June 2009

No.	Name of the project	Timeline of Delivery
1	Regional Fast Rail (RFR) Bendigo Corridor Station Improvements	See below
2	Tie Renewal (Swan Hill-Piangil, Korong Vale-Quambatook. Mildura-Yelta) - $2.2m	Completed in Nov 2009
3	Rail Grinding (Seymour-Shepparton and Geelong Corridor) - $0.7m	Completed in Sept 2009
4	Various Bridge Renewals (Bendigo - Swan Hill) - $0.5m 2009	Completed in Jul 2009
5	Structural Works (Stratford and Ingleston) - $0.35m	Completed in Jul 2009 and Nov 2009 respectively.

Source: Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2010, p.6

These following activities were reported as not completed as at June 2009 on account of delays/ changes to planned timelines occurring due to February 2009 bushfires and delivery of sleepers:[337]

RFR Bendigo Corridor Under The Station Improvements Project:

Platform Extension

- *Woodend – is expected to be completed by the end of February 2010. The design is currently with Heritage Victoria for review. Other works at Woodend include additional car parks, waiting room, ticket booth and toilet upgrade. Total cost is $1.1m.*
- *Clarkefield – the package of works includes platform lengthening, Signal redesign, and minor platform works. It is expected to be completed by the end of August 2010. Total cost is $0.850m.*
- *Riddles Creek – is expected to be completed by the end of August 2010. Total cost is $0.595m.*
- *Macedon – is expected to be completed by May 2011. Total cost is $1.224m.*

Sewage Installation

- *Kyneton – tender was put out to market on 23 Dec 2009. A contract will be awarded by the end of January 2010. Construction is expected to be completed by the end of May 2010. Total cost is $0.385m.*

337 Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2010, p.6

13.4. Health services

The Department of Health has identified that the ageing population of rural and regional Victoria will seek additional health services as:[338]

> *...older people have greater health needs and are major users of health services at all levels. Older people have a greater prevalence of chronic diseases, including cardiovascular disease, cancer, diabetes, renal disease, chronic obstructive pulmonary disease and musculoskeletal conditions such as arthritis. It is forecast that by 2018-19, people aged 70 years and over will consume 49 per cent of all bed days utilised by rural Victorians…*
>
> *The Burden of Disease Study[339] identified living in the country as being associated with a decreased life expectancy, which is largely due to cardiovascular disease, cancers, injuries caused by road and machinery accidents, suicide and drowning. This reduced life expectance for rural populations may be attributable to a combination of socioeconomic factors, health impacts of the long-running drought, access to local services and timely access to life-saving treatment such as resuscitation and surgery.*

A study by the Primary Health Care Research and Information Service[340] showed lower access to general practitioner services in rural areas. For example, whereas there was one GP for every 1,529 people in the Mallee Division of General Practice in 2006-07, there was one for every 417 in the Melbourne CBD.[341]

In October 2009, the Government updated its policy document *Rural directions for a better state of health*. The new policy *Rural directions - for a stronger healthier Victoria,* continues with the three broad directions of the original policy, but with a revised focus.

The three directions are now:

- improving the health of rural Victorians;
- supporting a contemporary health system; and
- strengthening and sustaining rural health services.

Programs to increase the health workforce in rural and regional Victoria

In its *Report on the 2007-08 Financial and Performance Outcomes*, the Committee reviewed strategies for resourcing the rural health workforce. The Committee recommended that:[342]

> *To address the possibility of critical shortages of general practitioners in regional and rural Victoria, the Department of Human Services prepare a progress report and long- term plan which covers the recruitment of an adequate number of doctors to meet the health requirements of rural Victorians into the future.*

338 Department of Health, *Rural directions—for a stronger healthier Victoria*, October 2009, p.9

339 Australian Institute of Health and Welfare 2007, *The burden of disease and injury in Australia 2003*, AIHW, Canberra

340 Primary Health Care Research and Information Service. See <www.phcris.org.au>

341 Department of Health, *Rural directions—for a stronger healthier Victoria*, October 2009, p.9

342 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes*, recommendation 33, p.287

The Government accepted the Committee's recommendation and advised that a range of initiatives is being undertaken addressing workforce shortages in regional and rural Victoria. The Government advised that details of these initiatives can be found on the Department of Health's website and a progress report is being prepared for viewing at http://www.health.vic.gov.au/workforce.[343]

The Government also advised that:[344]

> *A number of rural medical workforce recruitment and retention programs are scheduled for evaluation in the coming year.*
>
> *Recent changes to the Commonwealth's rural workforce programs are currently being reviewed to identify the effect on Victorian health services. A rural Medical Workforce Partnership program will be launched in the coming months. It is intended that this program will support rural health providers and services in workforce planning and in formulating local solutions to workforce shortages.*
>
> *The establishment of an International Medical Graduates service coordination and support service will give Victoria an edge in recruitment.*

In its *2008-09 Annual Report*, the Department of Human Services stated that, to improve country Victorians' access to health services, it had increased postgraduate training of rural doctors and provided high quality internship programs for medical graduates in 2008–09. During the year, the Department funded an extra 45 intern places across Victoria, and also funded 57 rural-based medical specialist trainees with training and incentive payments through the Strengthening Medical Specialist Training program.[345]

The Committee notes that in 2008-09, the Rural Workforce Agency, Victoria (RWAV), which is funded by both the Commonwealth and the Victorian Governments, recruited 68 doctors, 54 of whom commenced work in rural general practice across Victoria. During 2008-09, 182 doctors worked in rural and regional Victoria under RWAV managed schemes.[346] In addition:[347]

> *RWAV administers the federally funded Medical Specialist Outreach Program (MSOAP). Specialist doctors travel to all parts of Victoria to provide specialist services in clinics and hospitals so that regional and rural patients don't have to travel to major regional and urban centres for treatment.*
>
> *During 2008-09 the program delivered 4,337 specialist assistance sessions, treating 66,299 patients, including 652 indigenous patients, at 263 specialist services in the State's rural and regional communities.*

343 Government Responses to the Recommendations of Public Accounts and Estimates Committee's 87th Report on the 2007-08 Financial and Performance Outcomes, November 2009, p.18

344 ibid.

345 Department of Human Services, *2008-09 Annual Report*, October 2009, p.21

346 Rural Workforce Agency, Victoria, *2008-09 Annual Report*, *January* 2010, p 18

347 ibid.

In its new policy document, *Rural directions—for a stronger healthier Victoria*,[348] the Department of Health states that it will support rural health services to maintain a sustainable workforce by improving recruitment and retention and redesigning the workforce to meet changing local needs.

In addition to the specific programs and initiatives currently underway to recruit and retain a health workforce for rural and regional Victoria, the Department will:[349]

- *provide ongoing support for targeted recruitment packages and incentives for rural training posts*
- *extend skills training for GPs*
- *establish the Strengthening Medical Specialist Training program, to better target specialist training*
- *expand the Medical Clinical Educator program to support health services to improve assessment, upskilling and support of international medical graduates*
- *develop regional training partnerships to support medical education and training for both junior doctors and international medical graduates*
- *develop the rural Allied Health Undergraduate Scholarship program*
- *complete the statewide Best practice clinical learning environment framework, which will have the potential to improve recruitment and retention.*

Initiatives designed to improve retention rates among the existing workforce will be aimed at improving employee satisfaction, reducing the risk of burn-out and dislocation/disorientation within the workplace, and better supporting career pathways for health professionals through enhanced opportunities for further training and upskilling.

In the policy document, the Department notes that:[350]

> *Nurses are the major workforce that supports ongoing service provision in local health services. These staff require ongoing education and support to be able to maintain the services to the appropriate level of quality care.*
>
> *With the challenges faced by rural health services in maintaining access to medical practitioners, services must ensure nurses are well trained and supported by guidelines so that, where appropriate, health care needs of people presenting in an emergency can be met without additional medical support and doctors only called in when necessary.*
>
> *Service development priorities are to:*
>
> - *provide ongoing support for nurse practitioners and other projects that support shared service models for nurses and other staff*
> - *encourage relationship building between health services and Ambulance Victoria paramedics*

348 Department of Health, *Rural directions—for a stronger healthier Victoria*, 2009, pp.56–8

349 ibid., p.57

350 ibid., p.58

- *enhance training options at regional and sub-regional health services to support clinical staff in local health services to maintain skills ...*
- *explore flexible models and other options for professional groups*
- *develop a comprehensive strategy that provides an appropriate emergency response in small rural communities*

The Committee welcomes the initiatives being undertaken by the Department of Health and other agencies to address the shortage of health service workers in rural and regional Victoria. However, particularly in view of the ageing of the population in rural Victoria and the demands this will place on local health services, the Committee remains of the opinion that the Department should prepare a long-term plan which covers the recruitment of an adequate number of doctors to meet the future needs of rural Victorians. The Committee considers that the Department should also prepare a long term plan for the recruitment and retention of nurses and other health workers for rural Victoria.

Recommendation 33: The Department of Health should develop a long-term plan for the recruitment and retention of doctors, nurses and other health workers for rural Victoria.

CHAPTER 14: THRIVING ECONOMY

Key findings of the Committee:

14.1 **There were difficult economic conditions in 2008-09, most notably the effects of the Global Financial Crisis, the February 2009 bushfires and continuing drought. These required the Government to adapt existing programs and implement a number of new ones in response.**

14.2 **The Securing Jobs for Your Future – Skills for Victoria policy includes among its goals adapting skills training to the demands of the labour market and upgrading TAFE facilities. Skills Victoria has developed a framework for analysing what skills are needed in Victoria and a suite of performance indicators monitoring government initiatives. The Committee believes that it would be valuable to publish this information. A number of TAFE upgrades are progressing to schedule.**

14.3 **Significant funding has been provided to increase the number of apprentices and trainees and to increase their completion rates. The available statistics suggest that the Government's programs have achieved some success, but it is important for more data to be provided in the future to fully assess these programs.**

14.4 **The Skill Up program aided a larger number of workers than in previous years, but the Victorian Skills Commission was unable to provide any measures of the quality of the program.**

14.5 **The Department of Planning and Community Development was able to facilitate Nation Building projects to quickly create jobs in Victoria to mitigate the effects of the Global Financial Crisis in 2008-09.**

14.6 **The Global Financial Crisis has also impacted on investment in Victorian energy and earth resources, and on research and development in the agriculture sector. The amount of money flowing into these fields from private industry was reduced in 2008-09.**

14.7 **The Government's initial response to the February 2009 bushfires included a $51 million assistance package for businesses and farms and a $10 million Tourism Industry Support Package. These programs were substantially implemented within the 2008-09 financial year. A range of performance indicators has been set for the Tourism Industry Support Package but performance indicators could be improved for the business and farm assistance package.**

14.8 **Victoria has made progress in a number of key areas of competition and regulatory reform identified in the Council of Australian Governments' National Reform Agenda.**

14.9 **The Government has introduced a range of measures to cater for Melbourne's increasing population, including moving towards a multi-centred city, planning reforms, assisting local councils to plan for additional housing and co-ordinating action between State and Commonwealth governments. The creation of six Central Activity Districts around Melbourne is a particularly significant change with a substantial funding commitment. It is important that the progress of these areas at achieving the Government's aims be monitored and reported.**

14.10 The Department of Transport has commenced a project to identify potential future skill shortages. The Department is currently implementing a number of programs to reduce this risk and will introduce more as a result of the project.

14.11 For the previous two years, the proportion of V/Line trains running late has been significantly above the target. There was a slight improvement between 2007-08 and 2008-09.

14.12 The Safe Taxi Audit has now inspected every taxi cab in Victoria. Although the proportion of taxis conforming to the quality standards was below the target in 2008-09, a number of actions have been implemented to improve this in the future.

14.1. Introduction

Thriving Economy is the first *Growing Victoria Together* vision examined by the Committee in this year's Financial and Performance Outcomes Report.

14.2. More quality jobs and thriving, innovative industries across Victoria

There were difficult economic conditions in 2008-09, including the effects of the Global Financial Crisis, the February 2009 bushfires and the prolonged drought. These conditions created new challenges for the Government in trying to facilitate employment and investment in Victoria.

Statistics from the Australian Bureau of Statistics provide a measure of the impact of these conditions on the job market. The participation rate remained relatively constant between 2007-08 and 2008-09 (dropping from an average of 65.2 per cent in 2007-08 to an average of 64.6 per cent in 2008-09). However, the unemployment rate rose from an average of 4.5 per cent to 5.1 per cent for the year.[351] The Government has also indicated that employers have tended to reduce the number of hours more than the number of employees.[352]

Some aspects of the way that the Government tackled the economic challenges in 2008-09 have been discussed in Chapter 7 (Fiscal Stimulus Packages and Grants) and Chapter 9 (Response to the February 2009 Bushfires).

14.2.1 Adapting training to meet changing Conditions

The Department of Innovation, Industry and Regional Development explained that it undertook additional activities in response to the Global Financial Crisis, which included the following actions to assist with employment:[353]

- *introduced a retrenched workers package to assist with retraining and re-entry into the workforce;*
- *boosted apprenticeship retention and completion measures; and*
- *implemented the National Building and Jobs Plan with a greater than normal level of industry briefing in the lead up to the tender processes.*

351 ABS Cat. No. 6202.0

352 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, 14 October 2009, p.15

353 Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, p.37

Securing Jobs for Your Future – Skills for Victoria

In addition to those activities, 2008-09 also saw the commencement of the *Securing Jobs for Your Future – Skills for Victoria* policy. The policy was released in August 2008 with a staged implementation beginning from 1 January 2009.[354] It was designed to address a skills shortage in the Victorian labour market[355] through providing $316 million over four years '*to create over 170,000 new training places, upgrade TAFE facilities and deliver more flexibility for individuals, employers and training providers*.'[356]

The policy's goals include, '*increasing the number of people undertaking training in the areas and at the levels where skills are needed for Victoria's economic and social development.*'[357] The Victorian Skills Commission advised the Committee that:[358]

> *A key goal of the Securing Jobs for Your Future – Skills for Victoria policy statement is to enable employers to engage more effectively with the demand driven training system. The vehicle to achieve this is through more effective information provision that will enable employers to easily find information about the skills system, current information on employment and skills shortages and to encourage employers to take up the Victorian Guarantee.*
>
> *In terms of determining skills needs, Skills Victoria, on behalf of the VSC, has developed a labour market intelligence monitoring and analysing framework. This includes the collection and analysis of a wide range of secondary information including:*
>
> - *macroeconomic data (main sources: Victorian Department of Treasury and Finance, Access Economics, Australian Industry Group, Australian Bureau of Statistics);*
> - *skills needs information:*
>   - *other skill shortages lists (main sources: Workforce Victoria, Department of Education, Employment and Workplace Relations, the Clarius Skills Index, the Hudsons Report);*
>   - *Industry Training Advisory Bodies industry skills needs reports – validated by Access Economics;*
>   - *other industry intelligence – Department of Innovation, Industry and Regional Development industry divisions, Market Facilitation Strategy; and*
> - *employment demand forecasts for occupations/skills from the Centre of Policy Studies Monash model.*

354 Department of Innovation, Industry and Regional Development, *Securing Jobs for Your Future – Skills for Victoria*, August 2008, p.32

355 ibid., p.4

356 Skills Victoria, *Ministerial Statements* webpage <http://www.skills.vic.gov.au/corporate/directions/ministerial-statements>, accessed 30 March 2010

357 Department of Innovation, Industry and Regional Development, *Securing Jobs for Your Future – Skills for Victoria*, August 2008, p.10

358 Victorian Skills Commission, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, p.3

> *Skills Victoria is updating the analysis on an ongoing basis, incorporating new data and input as they become available, with industry intelligence used to validate the analysis.*
>
> *All of this analysis contributes to the aforementioned information provision.*

In terms of measuring its performance relative to the goal of '*increasing the number of people undertaking training in the areas and at the levels where skills are needed*', the Victorian Skills Commission informed the Committee that this is done:[359]

> *...through statistical monitoring reports prepared by Skills Victoria on both a quarterly and annual basis.*
>
> *The VSC Quarterly Dashboard Report provides a suite of performance indicators, with a particular focus on tracking the impact of initiatives contained in Securing Jobs for Your Future – Skills for Victoria. This includes indicators which measure the areas and levels where skills are needed such as VET activity at the Diploma and Advanced Diploma levels and activity by apprentices and trainees. Data for training at the industry level is also provided.*
>
> *The annual VSC Outcomes Monitoring Report provides Commission members with a broad suite of performance indicators, many of which measure the areas and levels where skills are needed. This includes indicators which measure workforce participation, equitable access to skills development and opportunities for existing workers to build higher qualifications.*

The Victorian Skills Commission informed the Committee that there are not yet any data available to measure the Commission's performance to date.[360]

Crucial to the success of the *Securing Jobs for Your Future – Skills for Victoria* policy is that the training be appropriate as far as possible to the requirements of the labour market.[361] The Committee recognises that a more demand-driven approach is a key element of how this will be achieved. However, it is still important for there to be analytical work undertaken by the Government to ensure that the program is effectively meeting all of the market's needs. The Committee therefore welcomes the description of Skills Victoria's '*labour market intelligence monitoring and analysing framework.*'

The Committee is particularly pleased to see this in light of its recommendation in a previous report that:[362]

> *...the Department of Innovation, Industry and Regional Development gather information covering the small business sector which stratifies the number of jobs created by firm size and per sector/industry in each year.*

359 ibid., p.4

360 ibid.

361 Department of Innovation, Industry and Regional Development, *Securing Jobs for Your Future – Skills for Victoria*, August 2008, p.15

362 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes*, May 2009, recommendation 40, p.311

The Government's response to this recommendation accepted it in principle but noted that this information was not currently available through the Australian Bureau of Statistics.[363] The Committee hopes that the data gathered by Skills Victoria may enable the Department to provide at least some of the recommended information which is not available from the Australian Bureau of Statistics.

The Victorian Skills Commission does not publish its Quarterly Dashboard Reports or annual Outcomes Monitoring Report on its website. Although the Department of Innovation, Industry and Regional Development has introduced some new performance measures related to the *Securing Jobs for Your Future – Skills for Victoria* programs into its departmental output statement in Budget Paper No. 3, these measures generally relate to quantities of users (either businesses or employees). These measures do not provide information about what industries are being catered to or whether the needs of both small businesses and large corporations are being met. The Committee considers such data crucial for assessing the effectiveness of the programs by making it possible to identify any industries needing additional assistance and whether the program is sufficient for both large and small businesses and is successful at catering to all needs.

The Committee notes that the Victorian Skills Commission is monitoring and internally reporting its progress on such measures. Accountability could be improved if this information were made publicly available.

Recommendation 34: **The Victorian Skills Commission publish the Quarterly Dashboard Reports and annual Outcomes Monitoring Report on its website.**

Recommendation 35: **The Victorian Skills Commission annually produce a new report providing a detailed analysis of the skills needs identified in Victoria and how the Government's programs have performed relative to meeting these particular needs.**

Recommendation 36: **The Victorian Skills Commission's publications should include statistics of which skills are needed, which industries need them and what size firms (in terms of their numbers of employees) require the skills.**

TAFE Facilities

In addition to new training places, upgrading TAFE facilities is one of the elements of the *Securing Jobs for Your Future – Skills for Victoria* program.[364] The Department of Innovation, Industry and Regional Development's 2008-09 annual report mentioned that Victoria has secured $168 million of funding for asset management in TAFE institutes.[365] The Committee also notes that significant money was provided in the 2008-09 Victorian Budget for TAFE maintenance and asset investment.

363 Victorian Government, *Responses to the Recommendations of the Public Accounts and Estimates Committee's 87th Report on the 2007-08 Financial and Performance Outcomes*, November 2009, p.24

364 Skills Victoria, *Ministerial Statements* webpage (http://www.skills.vic.gov.au/corporate/directions/ministerial-statements), accessed 30 March 2010

365 Department of Innovation, Industry and Regional Development, *2008-09 Annual Report*, October 2009, nn.3–4, p.66

The Department informed the Committee that the expected outcomes from this funding were as follows:[366]

> ***Education Investment Fund (EIF)***
>
> *EIF provided $56.1 million to create or develop significant infrastructure that: transforms knowledge generations and teaching capabilities; boosts participation in tertiary education; meets domestic skills needs now and in the future; enhances innovation capacity; and enhances competitiveness in education and research.*
>
> ***Teaching and Learning Capital Fund (TLCF)***
>
> *TLCF will fund $114.1 million of initiatives focused on modernising and improving the quality of teaching and learning across the vocational education and training sector in one of the following two elements of the fund.*
>
> - *Training Infrastructure Investment for Tomorrow (TIIFT)*
>
> *TIIFT funding will provide $65.2 million for infrastructure to assist institutes to adjust to the emerging training needs of the local economies in which they operate, and to support the national training system to address the industry's emerging green skills requirements. This funding covered 10 projects across 10 separate institutes.*
>
> - *Better TAFE Facilities (BTF)*
>
> *BTF funding will provide $23.4 million in immediate maintenance needs, small capital works and equipment and plant purchases, and roll out the On Campus Network (Wireless) Connectivity project worth $25.6 million. Projects at each of the State's 18 institutes have been funded from this source.*
>
> *The funding noted in the 2008-09 Victorian Budget was directed towards a range of essential maintenance works across the system, as well as long term projects at four of the 18 institutes (Wodonga, Northern Melbourne, Bendigo and Ballarat University). These allocations were part of the regular asset program.*

Progress towards these outcomes is being monitored through a variety of means:[367]

> ***EIF:*** *All funding payments are staged against agreed milestones, as well as the projects participation in the national evaluation program and report directly to DEEWR at regular intervals, the requirements of which are tailored to the individual projects. Reports detail project outcomes, short term and long term benefits/gains and overall financial performance. Funding is paid directly to the institutes and institutes report independently of the Department to the Commonwealth. Institutes provide regular updates to the Department through Skills Victoria.*

366 Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, pp.29–30

367 ibid., pp.30–1

TLCF: *An implementation plan has been prepared for each project with funding in excess of $500,000. Performance measures in the implementation plans are milestones, timeframes for completion of milestones; and expenditure associated with each milestone. Institutes are assessed against these measures via a monthly report to Skills Victoria. Skills Victoria reports progress to DEEWR monthly.*

Additionally, Skills Victoria monitors other sundry requirements under the funding deed such as acknowledgment and publication; and insurance and compliance on an ongoing basis.

It is important to note that the funding for both the BTF and TIIFT elements of TLCF is provided on the basis that infrastructure funding by the State is not reduced as a result of the receipt of TLCF.

Victorian Budget

As with all capital programs, the budget funded programs are required to be completed within the agreed timeframes, within budget and fit for the purpose the assets were created. These projects are progressing and meeting those guidelines.

The Department advised the Committee that all projects were progressing in line with their targets,[368] although the Committee notes that there have been delays to a number of TAFE projects (see Section 3.4 of this report).

The amount of funding provided for infrastructure in TAFE facilities is significant. The Committee notes that project performance on these projects is being monitored by Skills Victoria and other bodies. The Committee looks forward to the Department of Innovation, Industry and Regional Development providing information about the progress and outcomes of these projects in future annual reports.

As quoted above, the Department of Innovation, Industry and Regional Development indicated that the objectives of these projects included adapting to future local training needs. The Education Investment Fund seeks to fund infrastructure that '*meets domestic skills needs now and in the future*.' The Training Infrastructure Investment for Tomorrow program provides funding '*for infrastructure to adjust to the emerging training needs of the local economies.*' These aims emphasise the importance of making readily available the information discussed in Recommendations 37–40.

368 ibid., p.31

Apprenticeships and Traineeships

The recent final report of the COAG's Australian Apprentices Taskforce also identified completion rates for apprenticeships as a key area needing change for government to meet the labour market's needs.[369] The Taskforce identified a number of factors of the current environment which make it important for governments to support people to commence and complete apprenticeships, including:[370]

- increased government spending on infrastructure;
- COAG's target to halve the proportion of Australians aged 20-64 without qualifications at Certificate III level and above;
- the ageing trades workforce; and
- the effects of the Global Financial Crisis.

The Victorian Government has identified the Apprenticeship and Traineeship Completion Bonus Scheme, which seeks to achieve this goal, as '*highly successful*' and has extended the scheme with an additional $25 million in the 2009-10 Budget.[371] The Apprenticeship/Traineeship Completion Bonus Scheme for 2008-09 cost $27,672,914. The Apprentice Trade Bonus program cost an additional $8,800,726.[372]

The Committee notes that, although the Department of Innovation, Industry and Regional Development and the Victorian Skills Commission provide details of the numbers of apprentices and trainees commencing and completing courses each year in their annual reports,[373] they do not provide completion rates for each year's cohort. The Victorian Skills Commission advised the Committee that:[374]

> *Since the introduction of the Apprenticeship/Traineeship Completion Bonus Scheme in 2003, the completion rate for apprentices who commenced in that year has remained at 65.7 per cent. Due to the long training duration of apprenticeships (4-6 years) the completion rates for cohorts commencing after 2003 cannot be calculated accurately, however the estimated rate for the cohorts commencing in 2004 is one percentage point higher than in 2003.*
>
> *The completion rate for the traineeship cohort that commenced in 2003 has increased from 54 to 56 per cent. More noticeable increases have been shown by the 2004 and 2005 trainee cohorts at 60 per cent and 61.3 per cent respectively.*
>
> *The Apprentice Trade Bonus was introduced in 2006. Due to the long training duration of apprenticeships there is insufficient data to calculate the completion rates of the 2006 apprentice cohort at this time.*

369 ibid., pp.8, 12

370 Australian Apprentices Taskforce, *Final Report*, December 2009, pp.6–10

371 Department of Treasury and Finance, *2009-10 Treasurer's Speech – Budget Paper No. 1*, p.8; Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, p.326

372 Victorian Skills Commission, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, pp.5–6

373 Department of Innovation, Industry and Regional Development, *2008-09 Annual Report*, p.70; Victorian Skills Commission, *2008-09 Annual Report*, p.20

374 ibid.

Understanding how the completion rates for apprenticeships and traineeships are changing is important both to understand the current labour market and to assess the effectiveness of current programs. The Committee considers that the information currently provided in the annual reports of the Department of Innovation, Industry and Regional Development and the Victorian Skills Commission would be significantly enhanced by also indicating the completion rate for each year's cohort as it becomes known and by providing five rolling years of data so that the particular year's results can be contextualised and the effectiveness of programs assessed

Recommendation 37: **In future annual reports, in addition to publishing the number of commencements and completions for the year, the Department of Innovation, Industry and Regional Development provide details of completion rates (as proportions of commencements) for each year's cohorts of apprentices and trainees as they become known. For all of this information, five rolling years of data should be published.**

Skill Up

The *Skill Up* program is '*a rapid response vocational counselling and training program that focuses on helping retrenched workers upgrade their skills or develop new skills so they can re-enter the workforce as quickly as possible.*'[375] The Victorian Skills Commission's annual report indicates that 5,834 retrenched workers received funding for training through the *Skill Up* program. This is a significant increase on previous years. In terms of how the effectiveness of the program is measured, the Victorian Skills Commission advised the Committee that:[376]

> *Skill Up program feedback has shown that early intervention and dedicated support can shift the focus of retrenched workers from the immediate concern of being made redundant to the opportunities open to them. This has led to increased transition to training. The effectiveness of the program is measured by the number of people offered support and the speed of the response, with the program offering support to 5,834 workers against a target of 1,000 workers to be offered assistance through Skill Up.*
>
> *The Skill Up program does not have access to non-participants to assess their employment outcomes.*

The Committee considers that it is not sufficient to measure the success of a program by only the quantity of participants and the timeliness of delivery. It is also essential to track and know the quality of the outcomes achieved by the program.

Recommendation 38: **The Department of Innovation, Industry and Regional Development develop quality measures for the Skill Up program.**

375 Victorian Skills Commission, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, p.8

376 ibid., pp.8–9

14.2.2 Creating and maintaining jobs to mitigate the effects of the Global Financial Crisis

The Global Financial Crisis was a key driver of the changes in the labour market in 2008-09 as investment funds, particularly for new infrastructure, became scarcer. The State and Commonwealth governments responded with a number of programs aimed to mitigate the effects of the crisis, as discussed in Chapter 7. Job creation by the Department of Innovation, Industry and Regional Development in regional Victoria has been discussed in Chapter 13.

The Department of Planning and Community Development's *Annual Report 2008-09* discloses that:[377]

(a) in February, Victoria signed up to the National Partnership Agreement on the *Nation Building and Jobs Plan*, agreeing to take action to support the timely and effective delivery of key projects and infrastructure funded under the Plan; and

(b) the timely delivery of the initiatives funded under the Commonwealth Government's *Nation Building – Economic Stimulus Plan* is one of the ways the Victorian Government helped shield households and businesses from the worst effects of the global financial crisis.

In terms of its activities during 2008-09, the Department explained that:[378]

> *Amendment VC56 to the Victoria Planning Provisions (VPP) was prepared in 2008-09, introducing temporary streamlined planning provisions to facilitate assessment of Nation Building projects relating to schools and social housing. During 2008-09, a unit solely dedicated to managing the assessment and approval of Nation Building projects was established within DPCD.*
>
> *Sixty schools projects were assessed by the Nation Building Unit in 2008-09 and approved by the Minister for Planning. The schools projects approved in 2008-09 represented a 14% share of the total number of projects submitted for approval under the Building the Education Revolution program.*

The Department's *Annual Report 2008-09* also explains that, in response to the announcement that the Victorian Government would introduce new planning reforms to fast-track key building projects and create more jobs to help Victoria through the Global Financial Crisis, the Department expanded its capacity to facilitate more development projects through the planning system.[379]

This capacity extension included the establishment of the Development Facilitation Taskforce in February 2009, which:[380]

> *...considered 48 projects in 2008-09. In some instances, Ministerial action was considered by the Taskforce to be warranted and the Minister took direct action in a total of 13 projects in 2008-09. These projects represent development of $2.78*

377 Department of Planning and Community Development, *2008-09 Annual Report*, p.30

378 Department of Planning and Community Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 24 February 2010, p.7

379 Department of Planning and Community Development, *2008-09 Annual Report,* p.30

380 Department of Planning and Community Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 24 February 2010, p.11

billion for Victoria and have the potential to create over 16,000 jobs (both direct and indirect) for Victorians.

The Committee is pleased to see that processes to facilitate these projects have been established. The Committee has discussed issues connected with the implementation and reporting of these projects in Chapter 7.

14.2.3 Investment facilitation and the Global Financial Crisis

The Department of Primary Industries' annual report indicates that the Global Financial Crisis (GFC) has resulted in '*delays to some major projects under DPI facilitation*.'[381] Concerned about the possible impacts of such delays to the Victorian economy and to jobs, and seeking to understand the scope of such impacts, the Committee sought further information from the Department.

The Department of Primary Industries explained that:[382]

> *A key responsibility for DPI is the facilitation of major energy and earth resources developments across the State. Facilitation includes promoting new opportunities for investment in Victoria along with the provision of advice and assistance in navigating the approvals processes required for new projects. Reducing impediments to investment helps to position Victoria as a place for investment and is consistent with the Department's strategy for negotiating and facilitating major investments. Most of the investment that DPI facilitates is made and delivered by the private sector. However, explaining and providing information about statutory approvals processes (from exploration through to project construction) particularly to new investors is a vital role performed by DPI. Benefits include reducing costs to industry by minimising delays, ensuring that companies are engaging effectively with local communities, encouraging the acceleration of new developments to bring forward economic benefits to the State and highlighting the opportunities for investment that exist in Victoria.*
>
> *The reference in the Annual Report to 'delays in some projects under DPI Facilitation' relates to private sector developments impacted by the GFC for which DPI is providing facilitation assistance. In most cases, they are proposed developments that DPI has not provided any funding towards and that DPI does not control, or they are projects that DPI has contributed some technology grants to (e.g. International Power ...).*
>
> *The GFC has resulted in companies finding it very difficult to access new finance. Investors are therefore delaying major investment decisions including postponing feasibility studies. Government can influence new energy and resources developments through the policy and regulatory environment that is established but the decision to proceed with new projects rests with industry.*

381 ibid., p.16

382 Department of Primary Industries, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 4 February 2010, p.16

Examples of potential major developments impacted by the current financial environment include:

- *Monash Energy – A potential $5-10 billion project to convert coal to produce up to 60,000 barrels of diesel per day. Shell and Anglo American have not committed to developing this project. DPI is in continuing discussions with Monash Energy and is reviewing the mining licence conditions associated with this development.*

- *Ignite Energy Resources (IER) is investigating a range of options for the development of coal in the Latrobe Valley (e.g. coal to liquids) and is in the process of raising capital to enable pre-feasibility assessments for specific projects. DPI is continuing to monitor the progress made by IER.*

More generally exploration investors have found it difficult to secure finance that has contributed to a partial contraction in new earth resources activities.

The Department continues to promote Victorian investment opportunities (e.g. Resources Victoria Conference held in August 2009), engage with potential new investors and continues to provide information and advice regarding approvals processes for the State's energy and earth resources. This ongoing focus on facilitation aims to create a more favourable investment environment for Victoria during challenging times.

The Department of Primary Industries' annual report also indicates that the Global Financial Crisis and drought have led to reduced levies to research and development organisations in the agriculture sector.[383] In terms of quantifying the impact of this, the Department advised in response to questioning by the Committee that:[384]

Rural Research and Development Corporations (RDCs) are funded by industry levies, matched dollar for dollar by the Commonwealth Government up to 0.5% of industry Gross Value of Production (GVP).

The GFC and drought (together with various other external challenges such as international trade competition) have led to reduced levy income for Research and Development (R&D) in several agricultural sectors.

DPI does not have access to any consolidated national figures across all RDCs. Impacts on RDCs relevant to Victoria vary. For example, Grains Research and Development Corporation (GRDC), as part of its Drought Response Strategy, has reduced its national research expenditure since 2006-07 from around $110 million to approximately $90 million per annum. Meat and Livestock Australia (MLA) R&D levy income has declined by 1-2% per annum since 2006-07. For dairy, dairy levy collection declined by approximately 10% in 2007-08 compared with 2006-07, although Dairy Australia (DA) have sought to hold expenditure on R&D at steady levels. National wool levy revenue declined from $46 million in 2006-07 to $34 million in 2008-09. Grape and Wine RDC expenditure on R&D has declined from around $26 million in 2006-07 to approx $22.5 million in 2008-09.

383 Department of Primary Industries, *2008-09 Annual Report*, p.16

384 Department of Primary Industries, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 4 February 2010, p.17

For DPI, revenue from the dairy, meat, wool, horticulture, wine and grains RDC's for RD&E declined from approx $20 million in 2006-07 to approx. $17.5 million in 2008-09. Whilst DPI plans aspects of its programs annually on known or forecast RDC revenues, declines in RDC funding reduce Research, Development & Evaluation outputs and thereby can slow the achievement of planned outcomes.

The Committee notes the impact of the Global Financial Crisis and drought on RDC funding and will seek to examine the matter further in the future. The Committee suggests that the Department of Primary Industries provide in its next annual report a more comprehensive analysis of trends and outcomes in Victorian research and development in the agricultural sector.

14.2.4 Assistance for businesses,farms and tourism following the February 2009 bushfires

The largest programs in response to the February 2009 bushfires administered by the Department of Innovation, Industry and Regional Development were the $51 million assistance package for businesses and farms and the Victorian Bushfire Tourism Industry Support Package. The Committee sought additional information on how these programs were structured as well as performance details up to 30 June 2009.

Regarding the Tourism Industry Support Package, the Department explained:[385]

The Commonwealth and Victorian Governments announced a jointly funded $10 million package over two years to encourage tourists back to regions economically affected by the February 2009 bushfires.

The package consists of:

- *$6 million towards a cooperative marketing and brand rebuilding program to promote visitation to economically-affected areas;*
- *$1 million to bring forward postponed events and marketing of existing events; and*
- *$3 million to assist with the enhancement and redevelopment of tourism and visitor facility infrastructure in national, state and regional parks adjoining bushfire affected areas.*

Total expenditure as at 30 June 2009 relating to this package was $2,557,390. Some of the activities undertaken during this period include:

- *corporate and consumer marketing campaigns that provided information that tourist towns, villages and parks were again open for business;*
- *public relations activities to generate positive media coverage of fire affected regions and dispel negative perceptions as a result of the bushfires;*
- *event marketing support; and*
- *subsidies to tourism businesses from fire affected areas to attend the Australian Tourism Exchange and other international trade shows.*

385 Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, pp.39–42

The aim of the $10 million tourism package is to encourage tourists back to Victoria's fire-affected regions. The key objectives associated with the programs that underpin this package are to:

- *stimulate visitation and expenditure in regional Victoria's bushfire affected regions;*
- *restore consumer confidence of the tourism offerings and experiences in regional Victoria;*
- *enhance the capabilities of the regional tourism industry to market and develop their destinations; and*
- *restore and enhance visitor facilities in Parks adjoining bushfire affected areas.*

Through the delivery of enhanced destination marketing campaigns, event development activities and industry development support, it is anticipated that the contribution of tourism in fire-affected regions will stabilise and the industry will be better equipped to continue to maximise the benefits of tourism into the future.

Key performance indicators associated with this funding package are outlined in the table below:

Table 14.1: Key Performance Indicators for the Tourism Industry Support Package

Performance evaluation questions	Performance measures	Performance targets
Have we assisted in generating reasons for visitors to return to bushfire affected regions?	Number of tourism events funded	50 events funded
Did we communicate with consumers to mitigate negative perceptions of bushfire-affected regions?	Value of news stories about fire affected regions	$5.6 million*
Were the processes that were put into place to streamline decision making and implement recovery strategies effective and embraced by industry partners?	Level of industry satisfaction and engagement with regional response and recovery groups	Positive satisfaction rating by regional response and recovery group members
Are we helping bushfire affected tourism operators gain entry into key international markets?	Number of businesses from bushfire affected regions participating in marketing programs and international trade missions to key markets	25-35
Have we stimulated tourism activity in parks by enhancing the visitor experience?	Completion of new infrastructure works	Infrastructure and project works completed by June 2011
Has visitation to regional Victoria stabilised?	Domestic overnight visitor numbers in regional Victoria	12.2– 13.1 million*
Has the economic contribution of domestic tourism to regional Victoria been maintained?	Visitor expenditure in regional Victoria (domestic)	$5.8 - $6.5 billion*

Note: ** Represent annual targets. Targets will be set on a rolling basis.*

Source: *Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, p.41*

The implementation and effectiveness of the tourism recovery program is monitored on a quarterly basis by the co-chaired State and Commonwealth Tourism Bushfires Task Force and the Tourism Victoria Board.

Key performance indicators are reported against on an annual basis where relevant, and will be evaluated at the end of the program in 2011.

All performance indicators are currently on track to be achieved within the targets.

Regarding the assistance for businesses and farms, the Department advised the Committee as follows:[386]

In 2008-09 a total of $15.6 million was provided to small businesses and farms directly impacted by the February 2009 bushfires. Businesses were assisted in a number of ways:

- *tier 1 grants for up to $5,000 for immediate cleanup;*
- *tier 2 grants up to $20,000 were provided to assist with reconstruction;*
- *Special Circumstances grants of $5,000 for businesses who were not eligible for tier 1 or 2 business recovery grants on the basis that they did not derive at least 51 per cent of their income from that business; and*
- *low interest loans of up to $200,000.*

A breakdown of each grant category is provided below:

Table 14.2: 2008-09 Expenditure on Assistance for Businesses and Farms in Response to the February 2009 Bushfires

Government assistance	Amount provided in 2008-09 ($)
Tier 1 grants	5,996,691
Tier 2 grants	7,765,616
Special Circumstances grants	590,000
Low interest loans	1,267,000

Source: Department of Innovation, Industry and Regional Development, response to the Committee's 2008–09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, p.40

The objective of the $51 million assistance package for businesses and farms was to assist businesses which experienced direct fire damage, planned to re-establish in the same area and experienced the loss of the majority of their income.

The performance indicators are the number of grants, loans and enquiries received and referral to business advisors. The administration of the program is performed by the Rural Finance Corporation.

The performance of the initiative as at 30 June 2009 is detailed below:

386 Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, pp.39–42

Table 14.3: 2008-09 Performance on Assistance for Businesses and Farms in Response to the February 2009 Bushfires

Government assistance	Approved	In progress
Tier 1 grants	1,231	64
Tier 2 grants	451	276
Special Circumstances grants	1,800	350
Low interest loans	10	38
	Businesses assisted	
Total enquiries	10,556	
No referrals to business advisers	554	

Source: Department of Innovation, Industry and Regional Development, response to the Committee's 2008–09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, p.42

The February 2009 bushfires created a need for urgent assistance to affected areas. The Committee is pleased to see that the Department was able to commence these programs to support industry in a relatively short period of time. However, even in such circumstances it remains important to ensure that programs are effective and achieve value for money.

In relation to the Tourism Industry Support Package, the Committee is pleased to note that a good range of performance measures have been established and are being monitored.

The information presented to the Committee about the assistance for businesses and farms, however, suggests that less robust measures have been established for that program. The Committee understands that this is in part due to the nature of the program, which is focused on enabling businesses to run themselves rather than government-driven action. From this perspective, the quantity measures established are important and relevant.

It is, however, also important to ensure that the program is the most effective way of assisting businesses and farms and that the grants are effectively achieving the desired outcomes. This is particularly the case given that, at the start of 2009-10, there remained $35 million to be spent in this program.

Recommendation 39: **The Department of Innovation, Industry and Regional Development develop quality measures for the assistance program for businesses and farms affected by the bushfires and report on these, as well as its quantity measures, in future annual reports.**

14.2.5 Increasing Victoria's Productivity and Competitiveness

The Council of Australian Governments (COAG) Reform Council identified seven areas of competition and regulatory reform for monitoring.[387] In its March 2009 report, the COAG Reform Council detailed the governments' performance against 70 measures with milestones, of which 23 were classified as late, very late or stalled.[388] In many cases, however, the initiatives being measured require input from multiple jurisdictions, and it is not necessarily possible to isolate the progress of Victoria in particular from the COAG report.

In response to questions from the Committee, the Department of Premier and Cabinet provided the following information about Victoria's progress in those seven areas:[389]

> *Building on the National Competition Policy and the subsequent National Reform Agenda, the Council of Australian Governments (COAG) made further commitments to enhance productivity and the efficient functioning of Australian markets. On 29 November 2008, COAG signed the National Partnership Agreement to Deliver a Seamless National Economy (the NPA). This agreement commits COAG to:*
>
> - *continue to reduce the level of unnecessary and/or inconsistent regulation across jurisdictions;*
> - *deliver agreed COAG deregulation and competition priorities; and*
> - *improve processes for regulation making and review.*
>
> *This significant agreement is intended to contribute to outcomes such as a seamless national economy, longer-term growth, and expanding medium-term productive capacity.*
>
> *The National Reform Agenda items cited in the question have generally been subsumed into the Seamless National Economy NPA. While the implementation plan for the Seamless National Economy NPA does not contain all the agreed milestones from the National Reform Agenda, work continued in 2008-09 on the National Reform Agenda milestones as well as the NPA milestones. Further detail on progress on the requested National Reform Agenda items is addressed below.*
>
> ***National Energy Market Reforms***
>
> *The establishment of a national energy market has been a strong focus for COAG for over a decade and governments have made significant progress on these reforms over this time.*

387 Council of Australian Governments Reform Council, *2009 COAG Reform Council Report: Report to the Council of Australian Governments on Implementation of the National Reform Agenda*, March 2009

388 ibid., pp. xii–xviii

389 Department of Premier and Cabinet, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 2 February 2010, pp.11–15

A key reform for 2008/09 has been establishment of the Australian Energy Market Operator. Legislation to establish the Australian Energy Market Operator passed the Commonwealth Parliament on 11 March 2009, with provisions commencing 1 July 2009. As a result of this new law, the Australian Energy Market Operator, and associated governance arrangements, commenced on 1 July 2009.

Progress was made in 2008/09 on number of energy market reforms, including the harmonisation of derogations from the National Framework and integration of the spot and forward markets into the National Energy Market prudential requirements. Victoria will continue to participate in national actions in this area through the Ministerial Council on Energy and its Standing Committee of Officials.

Electricity smart meters

Victoria is progressing ahead of other jurisdictions in the national roll-out of electricity smart meters.

National legislation and rules were developed in 2008 to establish the national framework for the roll-out of electricity smart meters. National legislation was subsequently introduced into the South Australian Parliament (as lead legislator) in September 2009.

On 20 January 2009, the Australian Energy Market Commission granted the Victorian Government's request for a jurisdictional derogation from the National Electricity Law for distributors to act as the 'responsible person' for the roll-out of smart meters. This derogation, which commenced on 1 July 2009, allows Victoria to pursue its electricity smart meter roll-out in advance of agreed national rule changes.

Transport Pricing Reforms and Research Agenda

Heavy Vehicles

Work progressed on reforms to heavy vehicle regulation during 2008-09, which led to the 2 July 2009 COAG agreement to a national heavy vehicle regulator and a national body of law for all vehicles over 4.5 tonnes.

COAG agreed to direct the Australian Transport Council (ATC) to proceed with preliminary implementation steps towards a national heavy vehicle regulator and a national body of legislation.

COAG also directed ATC to recommend to COAG by the end of 2010 a final National Partnership Agreement for delivery of the national Heavy Vehicle Regulator.

ATC has put in place governance arrangements to deliver the preliminary implementation steps through the creation of a Heavy Vehicle Steering Committee (HVSC) chaired by the Commonwealth. The HVSC is supported by a Taskforce of jurisdictional officers who are undertaking elements of the reform.

Victoria is working with other jurisdictions to progress this work, and is one of several jurisdictions to have also expressed interest in hosting the heavy vehicle regulator.

Urban Congestion

In November 2008, the ATC agreed that road pricing schemes need to be carefully designed and specific to their proposed locations. ATC agreed that jurisdictions will cooperate in modelling the congestion, network, socio-economic and emissions outcomes of various targeted pricing scenarios.

ATC has established the Network Performance Standing Sub-Committee, of which Victoria is a member, to investigate urban transport system performance indicators, business vehicle responses to urban congestion and urban road demand management modelling. This sub-committee has a number of urban congestion projects that have been completed or are on-track.

National Rail Safety Reforms

Work progressed to enable COAG agreement to develop a national rail safety regulatory system, with further consideration of the scope and form of the regulator following receipt of advice at the end of 2009 from the Standing Committee on Transport on specific safety requirements within jurisdictions, especially in relation to urban systems and the interface with interstate and freight operations. The ATC will report to COAG at its first meeting in 2010 on progress in developing a national rail safety regulatory system and investigator with a view to bringing the final National Partnership Agreement to COAG for approval by mid-2011. This advice should consider all options, including how to strengthen the effectiveness of the Rail Safety Regulators Panel.

Infrastructure Regulation

On 10 February 2006, as part of the National Reform Agenda, COAG agreed to the Competition and Infrastructure Reform Agreement (CIRA) to provide for a simpler and consistent national approach to the economic regulation of significant infrastructure. The CIRA commits Victoria and other jurisdictions to review the effectiveness and relevance of access regimes for significant infrastructure, a process which Victoria is making significant steps to achieving. Progress in key areas is outlined below.

Access Regimes for certification

Prior to lodging its access regimes for certification with the National Competition Council, the Victorian Government will review each regime and determine if it is still necessary, and if so, whether the regimes need to be varied. It will submit them to the National Competition Council.

Channel Access Regime

Under section 53 of the Victorian Port Services Act 1995, the Victorian Essential Services Commission (ESC) was required to conduct and complete a review of the regulation of prescribed port services by June 2009.

In addition, on 29 January 2009 the Victorian Minister for Finance referred related matters to the ESC as follows:

> *"in making its recommendations about the regulation of Victorian ports, including pricing and access regulation, the Commission should have regard to the principles outlined in clauses 4.1 and 4.2 of the Competition and Infrastructure Reform Agreement (CIRA)."*

The ESC delivered its final report, the 'Victorian Ports Regulation Review', on 25 July 2009. The Victorian Government supports all of the ESC recommendations, except for recommendation five, which advocated for retaining a formal Channel Access Regime in the Port of Melbourne shared channels. The Government considers that the existing governance arrangements minimise the potential for abuse of market power, and that removing the access regime will represent a substantial reduction in the regulatory burden imposed on the provision of container port access in Victoria.

Victorian Rail Access Regime (VRAR)

In signing the Competition and Infrastructure Reform Agreement, Victoria agreed to submit each of its state-based access regimes to the National Competition Council for certification by the end of 2010. Review of the VRAR is required ahead of its submission. As such, on 26 June 2009 the Government directed the ESC to undertake a review of the ongoing need for the VRAR, requiring it to report by the end of January 2010. In addition, if the report recommends continuing the VRAR, the ESC has been requested to advise on any objectives, scope and form of regulation that should apply. A request from the ESC for a three week extension was recently approved by Government.

Grain Handling and Storage Access Regime (GHSAR)

The ESC commenced a review of the Victorian GHSAR in November 2008. The scope of the review included:

a) whether the GHSAR is necessary in order to ensure competition or competitive tension in upstream and/or downstream markets;

b) whether it is economically feasible to duplicate the infrastructure;

c) whether there is net benefit from continuing the GHSAR;

d) whether regulation of any or all grain handling facilities is necessary; and

e) whether the GHSAR in its current form is able to be certified by the National Competition Council and, if not, what changes would be required in order that it could be certified.

The ESC provided its report to the Government in May 2009. The Victorian Government supports the ESC's recommendation to repeal the Grain Handling and Storage Act 1995 and will act to do so following the 2009-10 grain harvest to ensure there is overlap with the Commonwealth scheme over the next harvest period.

The report also recommended that the Government support an industry code of conduct when the Commonwealth's Wheat Export Marketing Act 2008 is reviewed in 2010 by the Productivity Commission. The Government will consider supporting such a code if it is recommended by the Productivity Commission.

National System of Trade Measurement

The establishment of a national system of trade measurement is expected to be operational from 1 July 2010 and will be funded and administered by the Commonwealth Government.

Progress was made during 2008-09 with the National Measurement Institute consulting with States and Territories on the regulations for the national system. Offers were made to State and Territory trade measurement staff and processes for managing displaced staff are in place.

Building Regulation Reform

Building Code of Australia Variations

Since the Building Code of Australia (BCA) was established in 1994, approximately 200 variations have been removed; however, some variations are necessary due to State specific factors, such as climate variations and jurisdictional differences which may not be directly related to construction. Approximately 100 State & Territory variations still remain nationally. Victoria has approximately 10 variations from the BCA and work will continue to evaluate the validity of these variations.

Delineation and streamlining of local government processes

The Victorian 'gateway model' is robust and on this basis is being used for national adoption to progress the delineation and streamlining of local government processes that impact on building regulation.

The Committee is pleased to note from the Department of Premier and Cabinet's response that progress has been made by Victoria in all seven areas of reform. The Committee will continue to monitor progress in these areas in future reports.

14.3. Growing and linking all of Victoria

14.3.1 Growing Victoria's Population

Growing Victoria Together anticipated Victoria's population reaching 6 million by 2025. By September 2008, it had reached 5.3 million and on current trends is expected to reach 6 million in 2017 and 7 million in 2030.[390] Government policy objectives were extended during 2008-09 with the release of *Melbourne @ 5 million*.[391] The Government has put in place a number of programs to cater for the expected growth. The Committee sought detail on the progress of some of these plans.

Plans affecting regional and rural Victoria have been discussed in Chapter 13 above. This section looks at plans for Melbourne.

390 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, pp.384-5

391 Department of Planning and Community Development, *Melbourne @ 5 million – Melbourne 2030: a planning update*, December 2008

The Department of Planning and Community Development provided the following additional information to the Committee about initiatives that have been implemented over 2007-08 and 2008-09:[392]

> *The Government is taking action to manage Melbourne's growth through a wide range of initiatives to deliver Melbourne 2030 and Melbourne @ 5 million objectives. This is supported by significant investment through the Victorian Transport Plan and a range of other Government initiatives.*
>
> *A number of key initiatives have been undertaken over 2007-2009 to manage Melbourne's growth, including housing affordability:*
>
> ***Creation of a multi-centred city***
>
> *Melbourne @ 5 million was released in December 2008 and provided for the creation of a multi-centred city through the development of six Central Activities Districts (CADs): Box Hill, Broadmeadows, Dandenong, Frankston, Ringwood and Footscray. These centres will be the focus of a substantial proportion of future employment growth and public investment. An additional $139 million over four years for the CAD Program was announced in the 2009-10 State Budget, which included:*
>
> - *$62.9 million for Broadmeadows CAD to improve pedestrian, cycling and public transport connections and to facilitate private sector investment in the local economy.*
> - *$17.4 million for fit-out of a Broadmeadows government services building to co-locate key government, community and support services.*
> - *$39 million for completion of a new town square and urban heart for Ringwood and improved safety around Maroondah Highway.*
> - *$19.7 million for urban development strategies and scoping work for urban improvement projects in CADs.*
>
> *This funding also provides for work to be undertaken to increase employment opportunities along priority corridors linking the CADs as identified in Melbourne @ 5 million. These employment corridors will link activity centres, universities, research and technology precincts, medical precincts, and areas with high employment. Three employment corridors will be given priority attention by the government: Avalon Airport to Werribee, Melton, Melbourne Airport and Donnybrook (Hume-Mitchell); Caulfield to Dandenong; and Monash University/Chadstone to Box Hill, Austin Hospital and Bell Street.*
>
> *Melbourne @ 5 million identified that a review of Melbourne's Urban Growth Boundary was needed. This review has resulted in the Minister for Planning approving and now seeking parliamentary ratification of Amendment VC55 of the Victorian Planning Provisions. Subject to Parliament's approval of the Growth Areas Infrastructure Contribution legislation, it will then come into operation.*

392 Department of Planning and Community Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 24 February 2010, pp.8-9

Planning Reforms

The Government has also initiated a range of reforms to fast-track key building projects and create more jobs, including:

- *Modernising the Planning and Environment Act 1987 to enhance the operation of Victoria's planning system. The draft Amendment Bill and an accompanying Commentary on the draft Bill have been released for comment.*

- *Introduction of new planning reforms to centre on conducting a rolling audit of pending projects and identifying significant projects that will deliver economic and employment benefits. The Department has also expanded its capacity to facilitate more development projects through the planning system …*

- *Application of the Urban Growth Zone across broad acre land in growth areas, covering both residential and employment land.*

- *Production of the 2007 and 2008 Urban Development Program (UDP) Annual Reports clarifying land availability and supply issues to ensure the Victorian Government's commitment to adequate land supply and housing affordability for all Victorians.*

Meeting housing needs

It is anticipated that 316,000 new dwellings will be located in established areas over the next 20 years. Planning for all of Melbourne *was released in May 2008 and included a commitment to 'support councils to plan for future community needs, by developing clear requirements for the amount and diversity of housing needed in each municipality, taking into account the capacity of each area to accommodate growth and the protection of neighbourhood amenity and the character of streets'. The Government has provided $1.5 million in grants to enable local governments and the Municipal Association of Victoria to provide the necessary assistance for this work.*

Coordinated approach between State and Commonwealth governments

Coordinated action between State and Commonwealth governments has been undertaken to improve housing affordability. This includes:

- *Completing the negotiation of a new National Affordable Housing Agreement with the Commonwealth Government.*

- *Improving housing affordability through work with the Commonwealth Government to progress the new National Rental Affordability Scheme and the Housing Affordability Fund.*

- *Timely delivery of the initiatives funded under the Commonwealth Government's Nation Building Economic Stimulus Plan to help shield households and businesses from the worst effects of the global financial crisis …*

- *Providing jurisdictional support to the national Housing Supply Council through the Housing Working Group (Data sub-group).*

The Committee particularly notes the importance of the change to a multi-centred city structure in the *Melbourne @ 5 million* plan. The resulting CADs will be important for the success of the plan, and constitute large financial commitments from the Government.[393] The Committee therefore considers it important that detailed information about the success of these projects against meaningful, objective measures be reported.

The *Melbourne @ 5 million* plan indicates that the intention of the CADs are to provide:[394]

- *Significant CBD-type jobs and commercial services;*
- *A strong and diverse retail sector;*
- *Specialised goods and services drawing on a large regional catchment;*
- *Significant opportunities for housing redevelopment in and around these centres;*
- *High levels of accessibility for walking, cycling, public transport or car by being located at a junction in the Principal Public Transport Network; and*
- *Vibrant centres of community activity with a range of public facilities.*

The Department of Planning and Community Development's 2008-09 annual report provides information about what projects are being undertaken in the CADs, and the Department's output performance measures primarily focus on the planning process and compliance with plans for these and other projects. This reporting could be usefully complemented by measuring and providing information about how each CAD is meeting the six aims identified above, including comprehensively planning for change and how such plans are being implemented.

Recommendation 40: The Department of Planning and Community Development provide in its future annual reports details of each Central Activity District's success to date at achieving the Central Activity District intentions as described in Melbourne @ 5 million.

14.3.2 Rail Services – workforce availability and V/Line Services

As part of its goal of 'Growing and linking all of Victoria', the *Growing Victoria Together* plan includes increasing the proportion of trips taken by public transport in Melbourne and making regional rail services available to more Victorians. Over the last few years, the amount of services and the number of patrons have risen significantly in both metropolitan and regional areas.[395]

The *Victoria Transport Plan* includes further expansion of rail services in coming years. It also includes the development of infrastructure, some of which has been discussed in Section 13.5 above.

393 In addition to the funding mentioned above, the Committee notes projects such as the $52.1 million Footscray Renewal initiative and $80.3 million for the Broadmeadows CAD – Department of Planning and Community Development, *2008-09 Annual Report*, p.31

394 Department of Planning and Community Development, *Melbourne @ 5 million*, December 2008, p.11

395 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, pp.385, 388

Workforce Availability

Among the challenges facing the transport portfolio, the *Department of Transport Plan 2009* indicates that the ageing workforce has created a risk of loss of skills due to retirement, which poses a significant risk for a number of specialist skill groups within the transport sector that have a significantly older age profile.[396] The Department of Transport provided further details to the Committee about what strategies it has put in place to address this risk:[397]

> *The department has commenced a comprehensive transport sector skills project, in partnership with other VPS departments/agencies and the wider transport sector. The objective of this exercise is to:*
>
> - *Assess the extent to which skills shortages exist or likely to arise in various parts of the transport sector, and the associated risks to transport project and service delivery.*
> - *Identify potential measures by government, private and educational entities to address the actual or expected skills shortages.*
>
> *The outcome of the aforementioned project will better inform the department in terms of specialist skill group most affected, anecdotal evidence also suggests the following groups may pose a skill loss risk due to aging and retirement:*
>
> - *Rail track maintenance*
> - *Safe working*
> - *Railway engineering*
> - *Bus and coach drivers*
> - *Transport engineering*
> - *Capital infrastructure and procurement project management*
>
> *As part of the recent train and tram refranchising bidding process, transport operator bids were required to include strategies to combat the risk of skill shortages including as a result of retirement, for specialist skill groups. Metro Trains Melbourne and Yarra Tram are implementing their strategies accordingly, including a training academy.*
>
> *In addition, a railway training facility owned and operated by VicTrack on behalf of the State and industry is currently operating at the Newport rail yard. Registered training organisations may book and use this venue for a nominal fee.*

396 *Department of Transport Plan 2009*, p.17

397 Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2010, pp.26–7

Further strategies will result from the transport sector skills project mentioned above, and may include initiatives such as:

- *Government and industry funded classroom and on-the-job training*
- *Skilled migration*
- *Improvements to apprenticeship system*
- *Attracting more women to the transport sector*
- *Closer interaction with stakeholders*

The Department is also either implementing or has in place the following strategies:

- *Expanding and targeting the DOT Engineering Graduate Recruitment and Vacation Programs*
- *Succession planning*
- *Career pathway and development planning*
- *Targeted employment strategies to attract people with specific skill sets*
- *Promoting DOT's flexible working arrangements/options*
- *Strengthening the quality of the manager/team member relationship*
- *Building an inclusive culture, including:*
  - *Women leading transport*
  - *Increasing opportunities for people with disabilities*
  - *Increasing opportunities for people with a mental illness*
  - *Helping people facing life altering events and promoting wellbeing in DOT*
- *Promote the visibility of DOT as an employer of a diverse workforce*
- *Significant emphasis on creating a values based organisation where people feel valued*
- *Strong emphases on creating a safe working environment for DOT people*
- *Mentoring program (knowledge transfer)*
- *Redevelopment of the DOT Alumni Program*

The Committee welcomes the range of measures being taken to address ageing workforce issues and skills availability and urges the Department of Transport to actively monitor and report on these matters.

Recommendation 41: **The Department of Transport provide in its annual report an analysis of workforce issues in Victoria in the rail transport sector.**

V/Line Services

In terms of service provision, V/Line has a target of no more than 8 per cent of trains being more than six minutes late for short-haul services or 11 minutes late for long-haul journeys. The Department of Transport's annual report indicated that these targets were not met in 2008-09[398] and the Committee sought further details from the Department. The data supplied are summarised in Table 14.4.

The Committee notes an overall slight improvement in punctuality, with the average proportion of late trains across all lines reducing from 13.8 per cent in 2007-08 to 13.2 per cent in 2008-09. However, this remains well above the target of no more than 8 per cent. In fact only one line (Ararat) managed to achieve this target.

In its annual report, the Department explained that failure to meet timeliness targets was '*due to the impact of incidents relating to extreme heat, the Victorian bushfires and congestion on the metropolitan network*.'[399] The Committee notes that the proportion of trains running late did peak for most lines in January 2009, with January to April being the months with the largest numbers of delays on most lines (see Table 14.4).

Although there were some lines that improved significantly, there were also a number of lines where the proportion of late trains increased significantly (see Figures 14.1 and 14.2). However, when the January-April period is excluded from the 2008-09 results, all but one of the lines had an improved rate compared to 2007-08.

Table 14.4: Average Proportions of Late Trains, by Line

Line	2007-08 (%)	2008-09 (%)	2008-09 excluding January-April (%)
6 minutes or greater			
Geelong	15.1	14.9	13.8
Ballarat	12.5	12.3	10.8
Bendigo	13.7	14.6	12.9
Seymour	11.3	14.8	11.8
Gippsland	17.8	17.1	15.5
11 minutes or greater			
Warrnambool	11.9	11.1	9.7
Ararat	7.5	7.3	5.3
Swan Hill/Echuca	13.3	13.8	11.4
Shepparton	10.3	11.3	9.0
Albury/Wodonga	17.4	9.4	9.4
Bairnsdale/Sale	20.6	18.6	17.7
Average	**13.8**	**13.2**	**11.6**

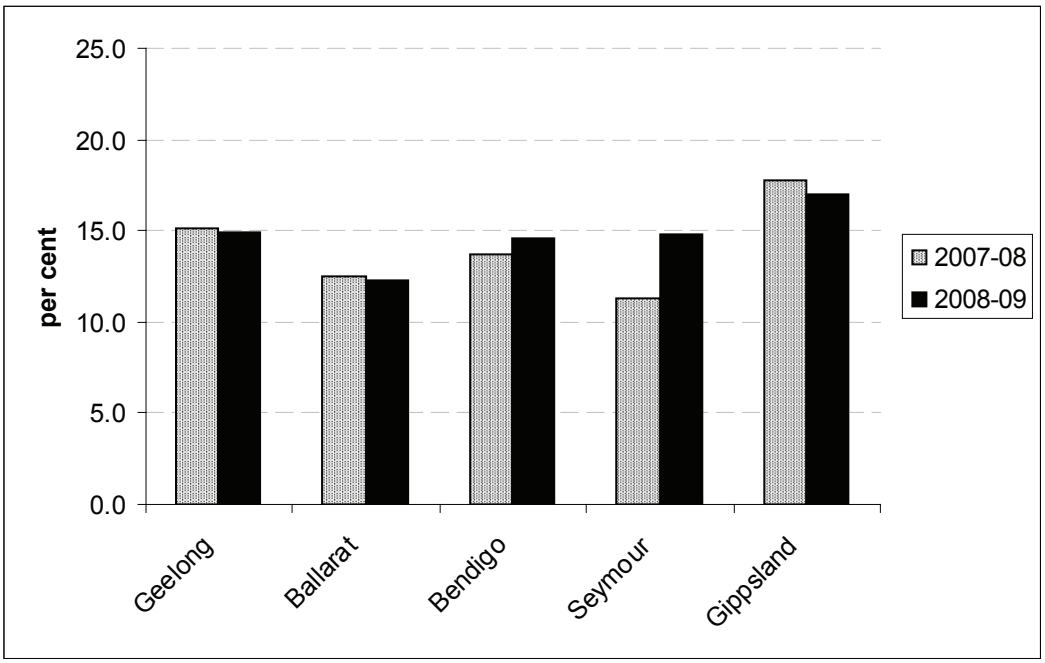
Source: *Department of Transport, response to the Committee's 2008–09 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2010, p.29*

398 Department of Transport, *2008-09 Annual Report*, p.167

399 ibid.

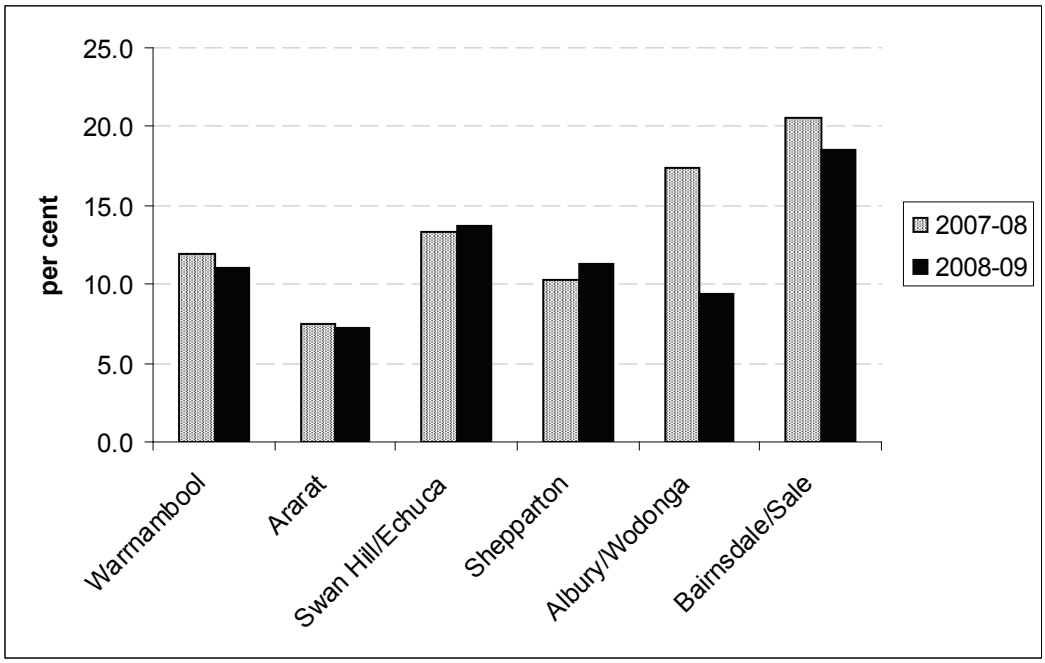
In its *Report on the 2009-10 Budget Estimates*, the Committee had anticipated that it would consider matters related to rail service provision in this report in the light of the findings of the Select Committee on Train Services. However, that committee's final reporting date has been extended and so the findings are not available to the Public Accounts and Estimates Committee at this time. The Committee will consider the findings of the Select Committee in its next inquiry into financial and perfromance outcomes.

Figure 14.1: Average Proportion of Trains Six Minutes or More Late, by Line, Comparing 2007-08 and 2008-09



Source: Department of Transport, response to the Committee's 2008–09 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2010, p.29

Figure 14.2: Average Proportion of Trains 11 Minutes or More Late, by Line, Comparing 2007-08 and 2008-09



Source: Department of Transport, response to the Committee's 2008–09 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2010, p.29

14.3.3 Taxis

The Department of Transport's annual reported indicated that 72 per cent of taxis conformed to quality standards in 2008-09 compared to a target of more than 80 per cent.[400] As this is only a marginal improvement on the 2007-08 result of 70 per cent,[401] the Committee sought further information on what action the Department of Transport was taking to further address the quality standards of Victorian taxis.

In addition to regular on-road inspections conducted by the Victorian Taxi Directorate (VTD), the *Safe Taxi Audit 2008-09* was completed in December 2009, having inspected every taxi-cab in Victoria to ensure that they all complied with quality standards.The Department of Transport provided the following information about what actions it planned for the future to ensure quality standards are met :[402]

> *Targeted taxi-cab inspections will continue to focus on full vehicle inspections, now with the inclusion of service specific inspections addressing quality standards, safety related matters and service standards.*
>
> *An audit program has been established to ensure taxi operators are held accountable for the quality of taxis and the behaviour of the taxi drivers. An on-going risk based audit schedule is employed that involves analysis of previous vehicle inspections of the operators' taxi fleet, formal complaints submitted to the VTD, and previous audit results. The analysis of this data identifies operators that may not be complying with the industry standards, and allows them to be targeted. The results of these audits are also used to alert the Transport Safety and Compliance unit to taxis that are potentially not meeting quality standards.*
>
> *Additionally, the analysis of this data highlights trends emerging throughout the industry. This allows the VTD to implement an integrated approach to detecting operators that permit below standard practices in order to improve these practices. This is done via targeted audit programs and information sharing across the business units.*
>
> *Passengers and the public are encouraged to lodge complaints and feedback with the VTD if their taxi experience is of substandard quality. Public feedback is used by the Transport Safety and Compliance unit of VTD to target issues that occur on the roads. Procedures for lodging complaints are located in all taxis and on the VTD website.*

The Committee hopes that these programs will be effective in raising the standards of taxi-cabs in Victoria to meet or exceed the Department's target.

400 Department of Transport, *2008-09 Annual Report*, p.161

401 Department of Transport, *2007-08 Annual Report*, p.192

402 Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2010, p.30

CHAPTER 15: QUALITY HEALTH AND EDUCATION

Key findings of the Committee:

15.1 **Actions under a reform agenda comprising A new blueprint for alcohol and other drug treatment services 2009-2013, the Victorian Alcohol Action plan and the Amphetamine-Type Substances Strategy are scheduled to be progressively implemented over the next four years.**

15.2 **The Government needs to develop and release publicly a statement that sets out the timing of particular action plans to be developed over the next four years under the new blueprint strategy.**

15.3 **With an integrated policy framework in place to address drug-related issues over the medium term, the Committee considers that it will be important for no duplication to occur between blueprint activities and those earmarked under other policy initiatives.**

15.4 **The Committee noted that during the extreme heat event that Victoria experienced between 26 January 2009 and 1 February 2009, more people died than normal (the total number of deaths was 980 compared to a mean of 606 for the previous five years).**

15.5 **During the heatwave there was a substantial increase in the emergency case load of various health providers such as Ambulance Victoria and emergency departments of public hospitals (e.g. the metropolitan emergency case load handled by Ambulance Victoria increased by 25 per cent, while emergency departments experienced a 12 per cent increase in presentations).**

15.6 **A state heatwave plan titled Heatwave Plan for Victoria 2009-10: Protecting health and reducing harm from heatwaves was released by the Department of Health in December 2009, with a new Heat Health Alert System developed to notify relevant organisations, including health and community service providers, of impending heatwaves to trigger heatwave plans and responses.**

15.7 **As the Heatwave Plan for Victoria is to be reviewed after every summer and continuously revised in order to minimise the public health impact of heatwaves, due to its critical nature, it will be important that modifications are clearly documented and effectively communicated to relevant parties.**

15.8 **Victoria continues to have the highest proportion of 20-24 year olds who have completed Year 12 or equivalent of all the Australian states. The Victorian rate was 86.8 per cent according to 2009 figures compared to 84.5 per cent nationally. In terms of the supplementary measure for 19 year olds maintained by the Department of Education and Early Childhood Development, the completion rate was 80.0 per cent, 4.3 percentage points higher than the 2001 Victorian result of 75.7 per cent.**

15.9 **The Committee observed the proportion of early school leavers unemployed after six months improved in the first two years from the 2003 base year (18.5 per cent, 2003; 15.4 per cent, 2004; 14.3 per cent, 2005), worsened marginally in 2006 (14.6 per cent), improved in 2007 (13.5 per cent), but deteriorated considerably in 2008 (17.9 per cent).**

15.10 **In the 2008-09 State Budget, the Victorian Government allocated $71.4 million over four years to fund specific new school improvement initiatives that include interventions in underperforming schools. Schools identified as in need of additional targeted support will engage in initiatives such as building teacher capacity, timely student intervention and support for teachers not achieving at expected levels.**

15.11 **After an appropriate lead time has elapsed, the Committee considers that the Department should evaluate whether interventions in underperforming schools, incentives for high performance and the expanded role for school networks have been effective in improving educational outcomes.**

15.12 **The Committee's review of the NAPLAN results showed that:**

- **Victorian students outperformed the Australian averages for the reading, writing and numeracy assessment domains during 2009;**
- **there was similar achievement in the percentage of Years 3, 5, 7 and 9 students at or above the national minimum standard in 2009 compared to 2008;**
- **while the Government did not specify writing targets, Victorian students exceeded all of the reading and numeracy targets outlined in the 2009-10 Budget; and**
- **Victoria performed very strongly in comparison to the other states and territories in terms of the percentage of Victorian students at or above the national minimum standard in reading, writing and numeracy in Years 3, 5, 7 and 9 for 2009.**

15.1. Introduction

Quality Health and Education is the second *Growing Victoria Together* vision examined by the Committee in this year's Financial and Performance Outcomes Report. This chapter contains outcome-related analysis and comment on government activities which support the Quality Health and Education vision.

15.2. High quality, accessible health and community services

15.2.1 Responding to alcohol and other drug use concerns – development of action plans and reporting

As the future outlook section of the Department of Human Services' annual report for 2007-08 included, as a priority action, launching the Alcohol and other drug (AOD) treatment services blueprint strategy and developing action plans,[403] the Committee was interested in gaining an understanding of the activities undertaken by the Department and timelines that had been set for the development of the abovementioned AOD action plans.

403 Department of Human Services, *2007-08 Annual Report*, October 2009, p.40

The Department advised the Committee that:[404]

- a reform agenda designed to respond to alcohol and drug use concerns comprises the blueprint strategy, the Victorian Alcohol Action Plan and the Amphetamine-Type Substances Strategy;
- actions are scheduled to be progressively implemented over the next four years;
- early effort is being focused on various key areas that include workforce development, promoting family-focused interventions, sector development and indigenous issues;
- in addition to initiatives already announced, initial priorities include reviews and development plans for pharmacotherapy and treatment service models; and
- further priority areas are to be identified and initiated progressively.

The Committee also noted that the blueprint would sit alongside and complement other related government initiatives, including the whole-of-government alcohol and drug prevention strategy and the new mental health strategy.[405]

To assist in guiding reform priorities and investment decisions, the Committee considers that a program needs to be developed and released publicly that sets out the timing of the particular action plans to be developed over the next four years under the policy *A new blueprint for alcohol and other drug treatment services, 2009-2013*. While it is commendable that the blueprint outlines the action plans to be developed, timeframes consisting of elapsed time for developing each plan and key partners, it is now timely for the Government to report on when developmental work is to commence on each plan.

The Committee maintains that actions under the blueprint should be prioritised based on risk to provide a basis for when action plans are to be completed. With an integrated policy framework in place to address drug-related issues over the medium term, it will be important that no duplication occurs between blueprint activities and those earmarked under other policy initiatives.

The Committee notes that expert alcohol and drug sector and health practitioner advice for the reform initiatives is to be provided by an expert advisory group, while co-ordination and strategic oversight of the reform agenda is being provided by a steering committee consisting of senior officers from the Department of Health.[406]

The Committee also believes that to ensure an efficient and effective approach is applied to addressing drug-related concerns, a reporting regime should be developed that discloses:

- outcomes progressively achieved under the entire suite of alcohol and other drug treatment policy initiatives; and
- which particular initiatives have been successful/unsuccessful in meeting their intended aims.

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404 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 18 February 2010, p.47

405 Department of Health, *A new blueprint for alcohol and other drug treatment services 2009-2013: Client centred, service-focused*, < http://www.health.vic.gov.au/drugservices/downloads/blueprint09-13.pdf>, accessed 29 March 2010

406 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 18 February 2010, p.47

Recommendation 42: **The Department of Health advise program timelines on the various actions specified in A New Blueprint for Alcohol and other Drug Treatment Services, 2009-2013.**

Recommendation 43: **The Department of Health prioritise the various actions specified in the blueprint for alcohol and other drug treatment services, 2009-2013 based on risk to provide a basis for the order in which action plans are to be completed.**

Recommendation 44: **In developing action plans, the Department of Health avoid duplication with activities earmarked under other drug-related policies.**

Recommendation 45: **The Department of Health develop a reporting framework that discloses the outcomes progressively achieved under the entire suite of alcohol and other drug treatment policy initiatives.**

15.2.2 Victoria's Cancer Action Plan 2008-11: setting milestones

Research by the Australian Institute of Health and Welfare found that, on average, the annual number of new cases of cancer diagnosed in Victoria between 2001 and 2005 amounted to 22,965.[407]

Based on 2005 data, the risk of an Australian male being diagnosed with cancer before the age of 75 was one in three (before the age of 85 was one in two), whereas the risk for an Australian female being diagnosed with cancer before reaching the age of 75 was one in four (before the age of 85, one in three).[408] For all cancers combined (excluding non-melanoma skin cancer), 5-year annual averages between 2001-2005 showed that Victoria had the second lowest incidence rate of cancer among the states and territories:[409]

- Queensland (494.4 cases per 100,000 persons);
- Tasmania (479.4)
- New South Wales (471.3)
- Western Australia (466.6)
- South Australia (457.6)
- the Australian Capital Territory (453.5)
- **Victoria (448.9)**
- the Northern Territory (425.4)

407 Australian Institute of Health and Welfare and Australasian Association of Cancer Registries, *Cancer in Australia: an overview, 2008*, December 2008, p.65

408 Commonwealth Government, Australian Institute of Health and Welfare, *Cancer – Australian cancer incidence statistics update, February 2010*, <http://www.aihw.gov.au/cancer/index.cfm>, accessed 30 March 2010

409 Commonwealth Government, Australian Institute of Health and Welfare, *Cancer – Australian cancer incidence statistics update, February 2010*, <http://www.aihw.gov.au/cancer/index.cfm>, accessed 30 March 2010

Around 70 Victorians per day are newly diagnosed with cancer.[410] With this background in mind, the Committee noted that the Department disclosed in its 2008-09 Annual Report that, among a range of reforms and strategies to improve the health and wellbeing of the community, *Victoria's Cancer Action Plan 2008-11*, launched in December 2008, outlined a vision to '*increase cancer five-year survival rates by ten per cent by 2015*'. Importantly, the plan also includes increased screening, immunisation and research.[411]

The Committee noted the Premier stated in the Plan that:[412]

> *I have nominated tackling cancer as one of my top priorities for Government ... we will make sure that Victorians have access to the best possible cancer care, informed by world-class research. We will invest in innovative prevention and treatment strategies in order to improve care and save lives.*

A review by the Committee of *Victoria's Cancer Action Plan 2008-11* revealed that timelines had not been developed for all of the tasks identified in Plan. While the Plan is a comprehensive document that discloses numerous targets and milestones, there are some targets where the plan does not indicate a time period for when the task is to be completed.[413]

To illustrate cancer-related initiatives undertaken at the health service level, the Committee's inquiries revealed that Southern Health had worked collaboratively with other providers to improve patient treatment and quality of life through the Southern Melbourne Integrated Cancer Service (SMICS). Established in 2004, SMICS is collaboration between Alfred Health, Cabrini Health, Peninsula Health and Southern Health. The purpose of SMICS is to facilitate and support improvements in the integration and co-ordination of cancer services within and across 10 tumour streams. The Committee was advised that a range of projects had contributed to improving patient treatment and quality of life outcomes for cancer patients during 2008-09, e.g. use of a:[414]

- Multidisciplinary Team Pilot Project;
- regional service plan; and
- continuous improvement advisory group.

In inquiring about whether the Department has assigned a timeframe for when all tasks in the plan are to be completed with specific reference to the UV protection strategy and regional research projects identified in the Plan, the Committee was informed that:[415]

- it is anticipated that many targets and milestones will be completed within the timeframe of the Plan, i.e. by the end of the 2011-12 financial year. However, a number of the screening and prevention targets, and the overall survival target, will not be able to be measured for two-three years after this, due to the lag in reporting from the relevant registers (the BreastScreen Register, the PAP Screen Register, the National Bowel

410 Department of Human Services, *Victoria's Cancer Action Plan 2008-11*, December 2008, p.ii

411 Department of Human Services, *Annual Report 2008-09*, p.10

412 Department of Human Services, *Victoria's Cancer Action Plan 2008-11*, December 2008, p.i

413 ibid., pp.56, 60, 64

414 Southern Health, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 18 February 2010, pp.6–8

415 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 18 February 2010, p.54

Cancer Screening Register and the Victorian Cancer Registry). It is anticipated that reporting against 2012 participation and survival rates will commence from 2014;

- the early stages of development of the UV strategy have commenced. A consultant has been commissioned to conduct an environmental scan (due for completion by March 2010). A draft strategy will then be developed for comment by key stakeholders by mid-year. It is anticipated that the strategy will be completed by December 2010; and
- the Victorian Cancer Agency has directly funded six regional research projects across four rural regions to date, via its Regional Research Capacity Building funding stream. The Agency, which plans to target regional research in its 2010-2011 research funding strategy, expects to exceed its target for this task.

The Committee believes that when an Action Plan is released, it should disclose timelines in the form of milestones for when the targeted actions are to be completed. This is important from a control point of view to ensure that the planned actions are implemented efficiently so that the intended outcomes can be experienced by those Victorians diagnosed with cancer in a timely manner.

Recommendation 46: The Department of Health ensure that milestones have been established for all targets set out in Victoria's Cancer Action Plan 2008-11 where feasible.

15.2.3 Extreme heat events – improving the resilience of Victorian communities

The Committee noted that in reporting on the January 2009 heatwave, the Department stated, in part, that:[416]

> *International and Australian experiences show that heatwaves increase the incidence of illness and death – particularly among vulnerable community members such as the elderly, people with a pre-existing medical condition and people with a disability.*
>
> *In January and February 2009, Victoria experienced an unprecedented heatwave with three consecutive days of temperatures soaring above 43 degrees Celsius…*

The analysis of health impacts by the Department showed substantial morbidity and mortality related to the heatwave, with associated demands on health services.[417] In reviewing the Department's key findings of the impact of the heatwave, the Committee noted that between 26 January and 1 February 2009:[418]

- 374 more people died than average (the total number of deaths was 980 compared to a mean of 606 for the previous five years); and
- the greatest number of deaths occurred in those 75 years or older (636 compared to an average of 388) – a 64 per cent increase over the average for the same period between 2004 and 2008.

416 Department of Human Services, *Annual Report 2008-09*, p.15

417 Department of Human Services, *January 2009 Heatwave in Victoria: an Assessment of Health Impacts*, 6 April 2009, p.iv

418 ibid., pp.iv, 13

The Department did report, however, that mortality can be difficult to measure during heatwaves. The Department found that:[419]

> *…deaths tend to occur from exacerbations of chronic medical conditions as well as direct heat related illness, particularly in the frail and elderly. Excess mortality provides a measure of impact, but does not provide information specifically on underlying cause of death.*

The Committee also noted that during the heatwave, there was a substantial increase in the emergency case load of various health providers. For example, while the metropolitan emergency case load handled by Ambulance Victoria increased by 25 per cent, there was a 34 fold increase in cases with direct heat-related conditions (61 per cent of cases were people 75 years or older) and a 2.8 fold increase in cardiac arrest cases. Emergency departments of public hospitals experienced a 12 per cent increase in presentations (37 per cent increase in those 75 years or older) with an 8 fold increase in direct heat related presentations (46 per cent in those 75 years and over).[420]

The Department foreshadowed that the insights gained from its analysis of health impacts of the heatwave that enveloped Victoria between 26 January and 1 February 2009 would inform strategies under development to improve the resilience of Victorian communities to the impacts of extreme heat events.[421]

As the Committee believes from a risk perspective that it is essential for Victoria to have an adequate emergency response in place to cope with challenges such as this in future and minimise the level of health impacts on the Victorian community, the Committee considered it important to delve into the measures taken to address the population health impact of the extreme heat event that Victoria experienced from 26 January to 1 February 2009. The Committee was particularly interested in learning about the key strategies being considered to improve the resilience of Victorian communities to the impacts of extreme heat events, particularly those that are frail and elderly, and the very young as well as the evaluative mechanism under consideration to assess the effectiveness of these strategies.

The Department advised the Committee that the Government identified in 2006 that heatwave planning was a priority, specifically identifying community and local government level as the most appropriate setting for the provision of information, support and services to at-risk populations.[422] The Committee was also told that since 2006, a significant program of work had been undertaken by the Victorian Government which had been targeted at preparing Victorians and the Victorian health and community sector to support Victorians during periods of extreme heat. This body of work informed the development of the state heatwave plan titled *Heatwave Plan for Victoria 2009-10: Protecting health and reducing harm from heatwaves* which was released by the Department of Health in December 2009. According to the Department, the intensity and subsequent impact of the January 2009 heatwave demonstrated that future responses must be based on a statewide understanding of impacts and actions. Greater emphasis is to be placed on coordination and documentation.[423]

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419 ibid. p.iv

420 ibid.

421 ibid., p.iv

422 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 18 February 2010, p.52

423 Department of Health, *Heatwave Plan for Victoria 2009-10: Protecting health and reducing harm from heatwaves*, December 2009, p.1

As part of the Plan, a new Heat Health Alert System has been developed to notify councils, the Department of Health and health and community service providers of impending heatwaves and to trigger heatwave plans and responses.[424]

A range of other initiatives includes:[425]

- the provision of close to $2 million to local government to support members of their communities most at risk of heat-related illness (a copy of heatwave responses is required to be sent to the Department as part of the funding arrangements);
- funding for the provision of health and wellbeing checks, including new and expanded community registers;
- developing a suite of public health communication resources; and
- establishing a Heat Health Intelligence Surveillance System to monitor and assess the human health impact of a heatwave, which results in the generation of a weekly report on temperature and associated health events.

The Committee acknowledges the extensive framework that has been developed, including the development of heatwave planning at a state and local council level as well as by health and community service organisations, to minimise the health impact of extreme heat and provide a co-ordinated statewide response to heatwaves.

The Committee was pleased to see that the *Heatwave Plan for Victoria 2009-10* will be reviewed after every summer and continuously modified and revised to ensure its effectiveness in minimising the public health impact of heatwaves.[426] The Committee believes that to ensure there is an adequate trail of amendments made to Victoria's Heatwave Plan over time, especially in view of the wide range of parties involved across the state in its implementation, it will be important for modifications to be documented and easily accessible by interested stakeholders. The emergency nature of heatwave responses calls for modifications to the plan to be effectively communicated to relevant stakeholders and for the Government to be accountable for such changes.

Recommendation 47: Given the critical nature of heatwave responses, revisions made to the Heatwave Plan for Victoria be documented by the Department of Health on its web site to enhance the dissemination of information to interested parties and improve accountability for modifications that are made over time.

424 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 18 February 2010, p.53

425 ibid.

426 Department of Health, *Heatwave Plan for Victoria 2009-10: Protecting health and reducing harm from heatwaves*, December 2009, Foreword

15.3. High quality education and training for lifelong learning

15.3.1 Completion of Year 12 (or its education equivalent) by young people by 2010

The Committee noted that, in regard to the GVT target for 90 per cent of young people to successfully complete Year 12 or its education equivalent by 2010, the actual proportion achieved for 19 year olds in Victoria had grown from 75.7 per cent in 2001 to 80 per cent in 2008.[427]

In inquiring about how this outcome compares with other jurisdictions, the Department of Education and Early Childhood Development brought to the Committee's notice that progress against the GVT target is monitored using the nationally comparable measure of the proportion of 20-24 year olds who attained Year 12 or equivalent (Australian Qualifications Framework Level II), sourced from the Australian Bureau of Statistics (ABS) Survey of Education and Work.

The Committee learnt that the Department calculates a supplementary measure of Year 12 or equivalent attainment for the 19 year old population using data sourced from local administrative certificate attainment records and the ABS Estimated Resident Population series. As this measure is calculated using local administrative data, it therefore cannot be used as a comparison with other jurisdictions. The Department indicated, however, that the 19 year old measure is a leading measure of the 20-24 year old attainment rate.

The Committee was pleased to hear that Victoria continues to have the highest Year 12 or equivalent completion rate of all the Australian states. According to the *ABS Survey of Education Work 2009*, the national Year 12 completion rate for young people aged 20 to 24 years was 84.5 per cent, while the Victorian rate was 86.8 per cent. Only the Australian Capital Territory recorded a higher completion rate, with 95.1 per cent.

The 2008 attainment rate of 80 per cent for Year 12 or equivalent at age 19 years in Victoria was higher, by 4.3 percentage points, than the 2001 Victorian result of 75.7 per cent.[428]

Based on the rate of improvement achieved since 2001, the Committee also sought a view from the Department about whether the 90 per cent target would be achievable by 2010.

With regard to this issue, the Department advised that over the past decade, Victoria has seen a generally positive trend with Year 12 completion rates. The percentage of 20-24 year olds completing Year 12 or equivalent has risen from 81.6 per cent in 2000 to 86.8 per cent in 2009. According to the Department, Victoria's ability to achieve the 90 per cent attainment target in 2010 will depend on:[429]

- the attainment profile of the 19-23 year old population in 2009;
- additional attainment in the period May 2009 to May 2010, the majority of which would be in the Vocational Education and Training (VET) sector;
- the resulting effects from interstate and international migration between 2009 and 2010; and
- sampling error in the 2010 survey.

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427 Department of Education and Early Childhood Development, *2008-09 Annual Report*, October 2009, p.34

428 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 28 January 2010, p.18

429 ibid.

While the 2009 figure showed a slight drop on the 2008 figure of 88.7 per cent, the Department indicated that the reduced sample size used for the 2009 ABS survey meant that the 2009 result was statistically different to the 2008 result. In 2010, the Department advised that the ABS would restore the size of the sample to the level used in 2008 and earlier.[430]

On the subject of whether the Government is on track to achieve the *Growing Victoria Together* target of 90 per cent by 2010, the Victorian Skills Commission expects that: [431]

> *The downturn in economic activity, which has resulted in a reduction in apprentice and trainee commencements over 2009, may hinder achievement of the GVT target. Persons who complete a VET qualification at Certificate 11 level or higher are counted in the statistics as having attained the equivalent of year 12 or above. Therefore, a decrease in apprentice and trainee commencements or those in training from 2008 may have a negative impact on the GVT result in 2010.*

Against this backdrop, the Committee elected to ascertain what strategies were in place to accelerate the rate of improvement and move towards the 90 per cent target. The Department advised that a wide range of strategies are aimed at accelerating the rate of improvement. These are outlined below:[432]

- young people can choose a range of options to attain a Year 12 or equivalent qualification (i.e. the Victorian Certificate of Education (VCE), Victorian Certificate of Applied Learning (VCAL) or International Baccalaureate) and a wide range of education settings are offered in which to complete their qualification;
- VET in Schools (VETiS) and VCAL continue to be valuable retention strategies. The 2009 On Track survey showed that 45 per cent of early leavers would have stayed at school if they could have participated in a vocational program;
- the Managed Individual Pathways program (funded by more than $15 million annually) provides all 15 to 19-year-olds in government schools with individual pathway plans and associated support; and
- Local Learning and Employment Networks (LLENs) cover the State, working with relevant local partners to improve outcomes for local young people.

According to the Department, these strategies will underpin further improvement beyond the current 90 per cent target. Under the National Partnership on Youth Attainment and Transitions, Victoria has committed to a COAG target of 92.6 per cent completion of Year 12 or equivalent by 2015. Additional initiatives expected to contribute to the achievement of this enhanced target include the establishment of Trade Training Centres in schools, the creation of the National Partnership on Youth Attainment and Transitions, a requirement for Victorians to be in school up to the age of 17 (unless they are participating in education, training or employment), places for 15–24 year olds wishing to participate in education and training being guaranteed by the Victorian Government and the introduction of the State-wide Youth Connections program.[433]

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430 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 28 January 2010, p.19

431 Department of Innovation, Industry and Regional Development, response to the Committee's clarification questions, received 8 February 2010, Attachment B, p.2

432 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 28 January 2010, pp.19–20

433 ibid., pp.20–1

The Committee acknowledges the thrust of the Government's vision for a higher quality education and training system by every student aiming to complete Year 12 or its equivalent (such as an apprenticeship or traineeship) as a foundation qualification for stable and rewarding employment.[434]

The Committee has formed the view that the GVT measure of 90 per cent of young people in Victoria to successfully complete Year 12 or its educational equivalent by 2010 would have been more meaningful and enabled strategy development to be more focused if the age group that makes up the term 'young people' had been clearly defined as those between 20 and 24 years of age.

In terms of the likelihood of whether the 90 per cent target would be achieved by 2010, the Committee has noted the qualifications conveyed to the Committee. As stated above, the Department, in bringing to the Committee's notice that Victoria continues to have the highest Year 12 or equivalent completion rate for young people aged 20 to 24 years of all Australian states (86.8 per cent based on 2009 figures compared to 84.5 per cent nationally), predicts that various strategies are expected to result in the current GVT target of 90 per cent being exceeded beyond 2010. However, with regard to the Victorian Skills Commission's view that the downturn in economic activity may hinder achievement of the GVT target due to the reduction in apprentice and trainee commencements over 2009, the Committee considers that to assist in attaining the GVT target, the Department of Education and Early Childhood Development, in conjunction with the Department of Innovation, Industry and Regional Development, needs to closely monitor trends in apprentice and trainee commencements and assess the impact that these trends are having on young people securing stable and rewarding employment.

Recommendation 48: **To assist in attaining the GVT target for 90 per cent of young people to successfully complete Year 12 or its education equivalent by 2010, the Department of Education and Early Childhood Development, in conjunction with the Department of Innovation, Industry and Regional Development:**

(a) **closely monitor the impact that the economic situation is having on apprentice and trainee commencements; and**

(b) **assess the impact that this situation is having on the proportion of young people successfully completing Year 12 or its equivalent.**

434 Department of Premier and Cabinet, *A Vision for Victoria to 2010 and Beyond, Growing Victoria Together*, 2005, p.10

15.3.2 Early school leavers unemployed after six months

The Committee noted that, in regard to the GVT target for a decline in the number of early school leavers who are unemployed after six months, 2008 saw an increase to 17.9 per cent in the proportion of early school leavers in this category compared to 13.5 per cent in 2007.[435]

In relation to the Department's comment that this result should be interpreted with care because of the relatively small samples achieved in the survey,[436] details of the samples obtained by the Department are shown in Table 15.1.

Table 15.1: On Track Early Leavers Survey – Achieved samples 2003-2009

Year	Sample size
2009	4,676
2008	4,740
2007	4,075
2006	4,783
2005	4,529
2004	3,197
2003	5,214
Total	31,214

Source: Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 28 January 2010, p.21

The Committee was informed that strategies are in place to increase the size of the samples in future, thereby improving the reliability of the survey results. These strategies involve the provision of contact details for consenting early leavers by the Victorian Curriculum and Assessment Authority who source these from schools. Schools are reminded, prior to the survey, to check student details to ensure that they are up-to-date. This measure is designed to assist in reducing the number of consenting early leavers who cannot be contacted, increase the achieved sample and enhance the robustness of the data.[437]

The Committee sought information about whether any numeric targets had been established with regard to unemployment rates for early school leavers, whether any qualitative data such as regional spread and concentration had been gathered and whether any benchmark data to assess performance in this area had been collected by the Department. The Committee was advised that: [438]

> *System wide targets for early leavers have not been set. On Track destination data cannot be used for these targets for the reason that many early leavers make a planned exit from school and make optimal post school transitions, especially to apprenticeships.*

435 Department of Education and Early Childhood Development, *2008-09 Annual Report*, October 2009, p.34

436 ibid., p.34

437 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 28 January 2010, p.21

438 ibid., p.22

> *Since 2003, the On Track Final Report has included a chapter on early leaver data with regional analyses of trends, gender, socio-economic status, curriculum studied, satisfaction with school experience and results and career advice, reasons for leaving school, factors which would have influenced decisions to stay at school and student wellbeing.*

The Committee noted the following reasons as to why this indicator is important as stated by the Department of Education and Early Childhood Development, citing research by the Australian Institute of Health and Welfare: [439]

> *Secure and satisfactory employment offers young people not only financial independence, but also a sense of control, self-confidence and social contact. In contrast, the health risks associated with unemployment, particularly depression, have been found to increase with the duration of unemployment. People who experience long-term unemployment may also find it difficult to maintain and develop skills relevant to the work place, and so may have greater difficulty in finding work.*

In examining the trend in the percentage of early school leavers who were unemployed after six months from 2003 to 2008, the Committee observed an initial improvement whereby the proportion declined in the first two years from the 2003 base year (18.5 per cent, 2003; 15.4 per cent, 2004; 14.3 per cent, 2005), worsened marginally in 2006 (14.6 per cent), improved in 2007 (13.5 per cent), but deteriorated considerably in 2008 (17.9 per cent).[440] Given that the achieved sample of 4,740 represented only 43 per cent of the target sample for 2008 of early school leavers and the early leaver data needs to be treated with caution according to the Department[441], the Committee supports the efforts made to increase the response rate and improve the reliability of the survey results.

However the Committee notes that the On Track survey initiated by the Victorian Government found that '*the sample is much larger than any other early school leaver data collection and enables more detailed analyses than would otherwise be available*'.[442]

The Committee is also of the view that, in addition to requiring a downward trend, the Department should develop a target equal to or less than the national average relating to the proportion of early school leavers who are unemployed six months after leaving school.

Recommendation 49: **To assist in evaluating the effectiveness of school retention strategies aimed at boosting school completion rates and outcomes for young people, the Department of Education and Early Childhood Development develop a target equal to or less than the national average for the proportion of early school leavers who are unemployed six months after leaving school.**

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439 Department of Education and Early Childhood Development, VCAMS, <http://www.education.vic.gov.au/researchinnovation/vcams/children/16-3schoolleaversunemployed.htm>, accessed 9 April 2010

440 Department of Education and Early Childhood Development, *2008-09 Annual Report, October* 2009, p.34

441 Department of Education and Early Childhood Development, *The On Track Survey 2008*, The Destinations of School Leavers in Victoria Statewide Report, April 2009, p.6

442 ibid.

15.3.3 Year 12 or equivalent programs supported by the Victorian Skills Commission – employment outcomes for students

Given the Committee's interest in examining the achievement of stable and rewarding employment outcomes for students, the Committee sought details regarding employment outcomes for students relative to the different Year 12 or equivalent programs supported by the Victorian Skills Commission (VSC), i.e.:

- Victorian Certificate of Education (VCE) in schools;
- Victorian Certificate of Applied Learning (VCAL);
- Vocational Education and Training (VET) in schools;
- schools-based apprenticeships and traineeships;
- VET in TAFE institutes, Adult and Community Education (ACE) organisations and private registered training organisations; and
- Technical Education Centres (TECs).

The Committee also explored how the Commission measured the relative effectiveness of these different programs in terms of achieving the VSC's strategic plan strategy of '*increasing workforce participation*'.

The proportion of Victorian VCE/VCAL completers in employment over the 2006 to 2009 period is shown in Table 15.2. The Committee was advised by the Victorian Skills Commission that employment outcomes for these students should be viewed with the knowledge that a significant proportion will be in full-time study after completion of year 12, and are therefore less likely to be engaged in the workforce than the general population.[443]

Table 15.2: Percentage of employed year 12 completers 2006-2009

Certificate Completed	2006	2007	2008	2009
VCE	19.9	21.3	23.7	22.5
VCAL	27.9	30.7	31.2	28.7

Source: On Track Surveys 2006-2009, Department of Education and Early Childhood Development

Table 15.3 shows the proportion of Victorian VET graduates who were employed six months after completion of their course. The figures show the slight decrease in employment outcomes in 2009 compared to the prior year, reflecting the slowdown in economic activity in 2009.

443 Victorian Skills Commission, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, p.5

Table 15.3: Percentage of Victorian VET Graduates employed 6 months after completion of their course

Qualification completed	2008	2009
Diploma and above	82.7	82.2
Certificate IV	86.2	84.2
Certificate III	85.2	82.5
Certificate II	75.0	72.3

Notes:

(a) Figures above show the proportion of VET graduates employed in either part-time or full-time jobs.

(b) VET graduates who have attained a Certificate II or higher are considered to hold a Yr 12 equivalent or above.

(c) Employment outcomes for students who have completed a VET in Schools program, a school based apprenticeship/traineeship or who attended a TEC cannot be provided as employment data is not collected for these particular groups of students.[444]

Source: NCVER Student Outcomes Survey results, 2008 and 2009 publications

The Committee also had an interest in ascertaining how the Commission measures the relative effectiveness of these different Year 12 programs in achieving the VSC's strategy of 'increasing workforce participation'.

The Committee was advised that Skills Victoria, on behalf of the VSC, provides detailed annual and quarterly monitoring reports to Commission members. These reports contain a number of key indicators that measure the performance of the VET system in Victoria and are aligned with the Commission's strategic objectives.

Indicators reported in the *VSC Outcomes Monitoring Report 2009* that specifically measure the Commission's objective of 'increasing workforce participation' include the following:

- Employment status pre and post training – VET graduates
- Annual apprentice and trainee completions
- Number of students completing VCE
- Year 12 or equivalent completion rate for those aged 19
- Year 12 or equivalent completion rate for those aged 20 to 24
- Number of VCAL enrolments
- Number of students enrolled in VET in schools
- Number of secondary school students enrolled in the TAFE or ACE sector
- Young people at risk – proportion of 15 to 19 year olds in neither full time study nor full time work.

444 Victorian Skills Commission, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, pp.5–6

Indicators monitored by the VSC, as reported in the *VSC Quarterly Dashboard Report*, which can also be used as measures of workforce participation include the following:[445]

- Apprentice/trainee commencements by quarter
- Apprentice/trainee numbers in-training
- Apprentice/trainee completions by quarter
- The 'Out of Trades Register' which measures the number of apprentices who have lost their jobs but are continuing their apprenticeship studies

The Committee noted that the slowdown in economic activity during 2009 has contributed to a slight decrease in employment outcomes for Victorian VET graduates. For this reason, it will be essential that the Department of Innovation, Industry and Regional Development and the Victorian Skills Commission closely monitor whether economic conditions in Victoria are continuing to have a detrimental affect on securing the best possible employment outcomes for VET graduates.

The Committee has discussed in Chapter 14 of this report the value of making the *VSC Outcomes Monitoring Report* and *VSC Quarterly Dashboard Report* publicly available.

While the Committee acknowledges the existence of a wide range of indicators to measure the Commission's objective for increasing workforce participation, the Committee is of the view that the Commission should consider measuring employment outcomes for students who have completed a VET in Schools program, a school-based apprenticeship/traineeship or who attended a Technical Education Centre.

Recommendation 50: **The Department of Innovation, Industry and Regional Development, together with the Victorian Skills Commission, continue to monitor employment outcomes for VET graduates in this state.**

Recommendation 51: **The Victorian Skills Commission consider measuring employment outcomes for students who have completed a VET in Schools program, a school-based apprenticeship/ traineeship or who attended a Technical Education Centre.**

15.3.4 Schools where student outcomes were below expected levels

The February *2008 Annual Statement of Government Intentions* announced that the *Blueprint for School Reform* would include a particular focus on schools where student outcomes were below expected levels. Strategies were to be considered to utilise the most highly talented and capable principals and teachers more effectively through encouraging them to work in the most challenging schools.[446]

445 Victorian Skills Commission, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 8 February 2010, pp.5–7

446 Hon. J Brumby, MP, Premier of Victoria, *Annual Statement of Government Intentions*, February 2008, p.6; Department of Education and Training, *Blueprint for Government Schools, Future Directions for Education in the Victorian government school system*, 2003, pp.6, 23; Department of Education, *Blueprint for Education and Early Childhood Development*, September 2008, p.26

The Committee asked the Department to provide an update of the initial outcomes that have emerged from implementing these strategies to date and development of other subsequent strategies (e.g. Regional Network Leaders, school report cards etc).

The Department indicated, in part, that the Victorian Government, through the 2008-09 Budget, allocated $71.4 million over four years to fund specific new school improvement initiatives, namely interventions in underperforming schools, incentives for high performance and the establishment of Regional Network Leaders. The interventions and incentives ('strategic interventions') form part of the comprehensive school improvement agenda. According to the Department, the strategic interventions, which are well established in the Victorian government school system, contribute to an enhanced approach to transparency and accountability for school improvement.[447]

With regard to human resources related interventions, the Department advised that its approach included the *Teacher Career Transition Program*, which provides a grant of up to $50,000 for 180 teachers who lack contemporary teaching skills and have lost the passion for teaching to leave the profession and pursue other careers. To date, 305 applications for the Career Transition Grant have been received.[448]

With regard to the implementation of the *Teacher Career Transition Program*, the Committee maintains that the Department should review the extent to which schools have been successful in filling positions that have become vacant by teachers paid to leave the profession.

The Committee noted from information provided by the Department that, in terms of enhancing transparency and accountability for school improvement, school performance summaries have been published for all Victorian schools. The summaries, including new intake-adjusted measures of school performance, were published in November 2009. In early 2010, a Victorian School Performance Summary will be published for every Victorian school, regardless of sector. These summaries will contain student outcome and pathways and transitions data, as well as important contextual information about schools.[449]

The Committee noted from media reports that, based on figures released by the Government on 27 November 2009 in the new report card for schools, about 100 Victorian primary and 30 high schools were performing worse than expected on student test results, more than 150 schools were doing better than expected and about 1,200 were performing broadly similar to others.[450]

After an appropriate lead time has elapsed, the Committee considers that the Department should evaluate whether the interventions in underperforming schools, incentives for high performance and the expanded role for school networks have been effective at improving educational outcomes in schools where student outcomes have been below expected levels.

447 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes questionnaire – Part Two, received 28 January 2010, p.23

448 ibid., p.24

449 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes questionnaire – Part Two, received 28 January 2010, p.25

450 John Masanauskas, 'More than 130 Victorian state schools identified as underperforming', the *Herald Sun* newspaper, 28 November 2009, <http://www.heraldsun.com.au/news/more-than-130-victorian-state-schools-identified-as-underperforming/story-e6frf7jo-1225804754251>, accessed 31 March 2010

Recommendation 52: **An evaluation be commissioned after an appropriate lead time by the Department of Education and Early Childhood Development to assess the effectiveness of the suite of strategies targeted at improving student outcomes in underperforming schools over time.**

15.3.5 2009 National Assessment Program – Literacy and Numeracy in Victoria

The Commonwealth Government launched a national literacy and numeracy testing program in 2008, which replaced the individual tests previously conducted in each State and Territory. The *National Assessment Program – Literacy and Numeracy* (NAPLAN) tests are conducted in May each year in all government and non-government schools to assess students in Years 3, 5, 7 and 9 on numeracy, reading, writing and language conventions (spelling, punctuation and grammar). In Victoria, NAPLAN replaced the Achievement Improvement Monitor (AIM) tests formerly held in August each year.[451]

The Committee reported that NAPLAN uses a different methodology to measure student achievement than that used in previous state and territory tests. In contrast to student attainment being formerly assessed against benchmarks developed at a national level that represented minimum acceptable standards in reading, writing and numeracy, student achievement under NAPLAN is measured against a national minimum standard based on the attainment of pre-determined achievement scales for each year level.[452] As the introduction of NAPLAN therefore required student achievement in literacy and numeracy to be measured against the new national minimum standards, replacing national benchmarks, the Committee recommended that the GVT measure '*the proportion of Victorian primary students achieving the national benchmark levels for reading, writing and numeracy will be at or above the national average*'[453] be adjusted accordingly. The Committee noted that this change has been made.[454]

With particular reference to the reading, writing and numeracy assessment domains, the Committee was interested in comparing the results for Victoria for 2009 with the results for 2008, 2009-10 targets, national averages and the results achieved by other states and territories, bearing in mind that 2009 is only the second year of NAPLAN. In doing so, the Committee is conscious of the following comment made in the NAPLAN Summary Report for 2009:[455]

> *Equating one test with another is a complex procedure and involves some degree of statistical error. For this reason, there may be minor fluctuations in the average NAPLAN test results from year to year when, in reality, the level of student achievement has remained essentially the same. It is only when there is a meaningful change in the results from one year to the next, or when there is a consistent trend over several years, that statements about improvement or decline in levels of achievement can be made confidently. Some caution is required when interpreting changes in the performance across 2008 and 2009.*

451 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates – Part Two*, October 2009, p.188

452 ibid., p.189

453 ibid., pp.193–4

454 Department of Treasury and Finance, Budget Paper No.3, *2009-10 Service Delivery*, pp.400–2

455 Commonwealth Government, *National Assessment Program, Literacy and Numeracy, NAPLAN Summary Report, Achievement in Reading, Writing, Language Conventions and Numeracy*, 2009 NAPLAN results, released mid September 2009, p.2

Reading, writing and numeracy results of the 2009 NAPLAN tests for Victoria compared to 2008

The Committee's review of the NAPLAN results showed that there was a similar achievement in the percentage of Years 3, 5, 7 and 9 students at or above the national minimum standard in 2009 compared with 2008.

Assessment domains that showed the largest fluctuations between 2008 and 2009 are shown in table 15.4. The category that showed the largest movement occurred in relation to numeracy for Year 9 students where a 1.2 per cent improvement in the percentage of students performing at or above the national minimum standard was achieved in the test results between 2008 and 2009.

Table 15.4: Percentage of students at or above the national minimum standard – largest fluctuations between 2008 and 2009

Year students	Assessment domain	2008 (%)	2009 (%)	Difference between 2008 and 2009 results (% change compared to 2008)
3	numeracy	96.5	95.6	-0.9
5	writing	93.9	94.8	1.0
5	numeracy	94.6	95.6	1.1
9	numeracy	95.2	96.3	1.2

Source: *Commonwealth Government, 2009 National Assessment Program, Literacy and Numeracy, NAPLAN Summary Report, Achievement in Reading, Writing, Language Conventions and Numeracy, 2009 NAPLAN results, released mid September 2009, p.38*

Reading, writing and numeracy results of the 2009 NAPLAN tests for Victoria compared to 2009-10 targets

The Committee's analysis revealed that Victorian students exceeded all the reading and numeracy targets outlined in the 2009-10 Budget. The Government did not specify writing targets for Victorian students for 2009-10. The categories that exceeded targets by the largest amounts were:[456]

Year 3 reading:
- 4.2 percentage points over target
- (95.2 per cent of students reaching the minimum standard compared to the target of 91 per cent)

Year 5 reading:
- 4.3 percentage points over target
- (94.3 per cent of students reaching the minimum standard compared to the target of 90 per cent)

456 Commonwealth Government, *National Assessment Program, Literacy and Numeracy,* 2009 National Assessment Program, Literacy and Numeracy, NAPLAN Summary Report, released mid September 2009, p.38; Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, pp.75–6

Reading, writing and numeracy results of the 2009 NAPLAN tests for Victoria compared to the national average

The Committee found that for 2009, Victorian students outperformed the Australian averages for the reading, writing and numeracy assessment domains. The two areas where assessment results exceeded the national average by the largest amounts were:[457]

Year 5 reading	• 2.6 per cent of students greater than the national average	• (94.3 per cent of students compared to the national average of 91.7 per cent)
Year 9 writing	• 2.6 per cent of students greater than the national average	• (90.3 per cent of students compared to the national average of 87.7 per cent)

Reading, writing and numeracy results of the 2009 NAPLAN tests for Victoria compared to other jurisdictions

A comparison of the percentage of Victorian students at or above the national minimum standard in reading, writing and numeracy in Years 3, 5, 7 and 9 to the NAPLAN test results of the other states and territories revealed that Victoria performed very strongly. Of the eight states and territories, Victoria scored the highest (6 categories), equal highest (2 categories) or second highest (3 categories) percentages of the 12 assessment categories.

The assessment category where Victoria led the field by the greatest margin was in relation to Year 9 numeracy where 96.3 per cent of students were at or above the national minimum standard in 2009. The next highest performer was New South Wales with 95.4 per cent of students in this category.

457 Commonwealth Government, *National Assessment Program, Literacy and Numeracy,* 2009 National Assessment Program, Literacy and Numeracy, NAPLAN Summary Report, released mid September 2009, p.38

CHAPTER 16: HEALTHY ENVIRONMENT

Key findings of the Committee:

16.1 **The Department of Sustainability and Environment has developed a number of processes to ensure that Catchment Management Authorities (CMAs) remain effective bodies, including regular reporting to the Minister for Environment and Climate Change updating the Minister on the delivery and implementation of their statutory functions.**

16.2 **A number of timelines for various initiatives under the Energy Technology Innovation Strategy (ETIS) have been adjusted. In particular, the International Power IP 2030 project and the HRL Limited 550MW Power Generation Plant projects have been delayed by at least two years. The Committee recommended that the Department of Primary Industries enhance their risk management framework over the ETIS program. This framework should include an internal review mechanism of project management to detect and rectify issues.**

16.3 **The Department of Sustainability and Environment has released a two year progress report on the Our Water Our Future: The Next Stage of the Government's Plan and presented information on these major projects in its Annual Report. The Committee recommended that the Department of Sustainability and Environment provide regular progress reports against key water project milestones and targets.**

16.4 **The Natural Resources Investment Program (NRIP) has achieved, or is on target to achieve, the majority of its performance measures. However, in relation to the initiative of improvement in the extent and quality of native vegetation cover in its first year, the NRIP delivered an additional 600 Habitat Hectares against a target of a 10,000 Habitat Hectare increase over the life of the five year initiative.**

16.5 **Among other initiatives, Barwon Water is currently preparing a strategy for expanding the use of recycled water and is implementing management changes to provide more effective and efficient delivery of recycled water products.**

16.6 **Barwon Water has put in place several measures to ensure that the Barwon Water Alliance is the most efficient model for delivering over 100 medium-sized projects, with a total value of $350 million.**

16.1. Introduction

Healthy Environment is the third *Growing Victoria Together* vision examined by the Committee in this year's Financial and Performance Outcomes Report.

This chapter contains outcome-related analysis and comment on selected government activities which support the Healthy Environment vision. The Committee asked departments and agencies a range of questions relating to the Growing Victoria Together goals of protecting the environment for future generations and effective use of natural resources.

16.2. Protecting the Environment for Future Generations

16.2.1 Effectiveness of Catchment Management Authorities

Victoria's catchment management system is currently established under the *Catchment Management and Land Protection Act 1994* (the CaLP Act). Under the CaLP Act, Victoria is divided into ten catchment regions with a Catchment Management Authority (CMA) established for each region.

The role of the CMAs includes:[458]

- ensuring the sustainable development of natural resource based industries;
- maintaining and where possible improving the quality of land and water resources;
- conserving natural and cultural heritage;
- involving the community in decisions relating to natural resource management within their region;
- advising government on matters relating to catchment management and land protection and the condition of land and water resources in the region; and
- promoting community awareness and understanding of the importance of land and water resources, their suitable use, conservation and rehabilitation.

The Department of Sustainability and Environment's 2008-09 Annual Report reports on Catchment Management Authorities including governance arrangements.[459]

458 Department of Primary Industries, *Victorian Resources Online,* <www.dpi.vic.gov.au/DPI/Vro/vrosite.nsf/pages/catchment_roles>, accessed 18 March 2010

459 Department of Sustainability and Environment, *Annual Report 2009*, October 2009, p.55

The Committee sought information in regard to DSEs processes for ensuring effective governance. The Department advised it has developed many processes to ensure that CMAs remain effective bodies. These processes include:[460]

- *Each CMA board is required to report to the Minister for Environment and Climate Change on a regular basis, updating the Minister on the delivery and implementation of their statutory functions;*
- *The Natural Resources Division provides ongoing support, advice and assistance to CMAs to facilitate sound and effective governance of these public bodies and expenditure of their public funds;*
- *The Department has recently completed an extensive review of guidelines for CMA corporate plans. As a result, the Minister for Environment and Climate Change recently approved and issued new guidelines to CMA chairpersons for their corporate plans. The guidelines incorporate an efficiency and effectiveness model for key performance indicators, consistent with new directions in accountability of public sector finance practices and legislation; and*
- *The Department has developed two specific, compulsory, capacity building sessions the CMA board members must attend that aims to enhance their effectiveness.*

16.2.2 Victorian Local Sustainability Accord

The Victorian Local Sustainability Accord is a partnership agreement between the Victorian State Government and local governments on environmental sustainability.

The aim of the Accord is to strengthen co-operative efforts between State and local governments in the delivery of both local and State sustainability objectives of *Our Environment, Our Future: Victoria's Environmental Sustainability Framework.* It also aims to provide a mechanism for resolving issues of responsibility and for improving communication between State and local government sectors.

In summary, the Accord aims to:[461]

- enhance support for strategic projects;
- strengthen inter-governmental dialogue; and
- build the capacity of local governments, individually and through regional arrangements.

460 Department of Sustainability and Environment, *response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire Part Two,* received 29 January 2010, p.25

461 Department of Sustainability and Environment, *What is the Victorian Local Sustainability Accord,* <www.dse.vic.gov.au//DSE/nrence.nsf>, accessed 22 March 2010

A key initiative of the Accord is the establishment of the Victorian Local Sustainability Advisory Committee (VLSAC). The functions of VLSAC are to:[462]

- oversee the implementation and evaluation of the Accord;
- act as a forum for strategic discussion and resolution of inter-jurisdictional issues between State and local government;
- represent local government interests for input into State policy making; and
- provide a pathway for the Victorian Government to engage with local government, local communities, and regional environmental and climate change stakeholders regarding policy, strategy and program design.

By joining the Accord each council is committing to the Accord principles and to an implementation process in conjunction with DSE.

The Department of Sustainability and Environment's Annual Report reported on outcomes under the Victorian Local Sustainability Accord, including that most councils had joined.[463]

The Department further advised the Committee that it has planned a range of engagement activities to encourage the remaining 8 (of 79) local councils to make a formal commitment to the Accord principles following the launch of the next phase of the Accord: [464]

> *As 71 of the 79 local councils have made the commitment, the activities aim to integrate the benefits to the remaining councils of joining the Accord. Benefits such as the access to Accord funding and an increase in the communication between State and Local Governments through the development of the Victorian Local Sustainability Advisory Committee will be highlighted.*

16.3. Efficient Use of Natural Resources

16.3.1 Energy Technology Innovation Strategy

Through the Energy Technology Innovation Strategy (ETIS), the Victorian Government aims to drive advances in low emission technologies and secure Victoria's energy future. The strategy aims to accelerate a variety of pre-commercial energy technologies through research, development, demonstration and deployment stages, so they are ready for market-uptake.

The objectives of the ETIS are to:[465]

- *facilitate a co-ordinated approach to the advancement of low-emissions energy technologies to their commercial-ready points;*
- *support the progression of low-emissions energy technologies, particularly where a market gap has been identified through their innovation processes by:*

462 Department of Sustainability and Environment, *Victorian Local Sustainability Advisory Committee,* <www.dse.vic.gov.au/DSE/nrence.nsf>, accessed 22 March 2010

463 Department of Sustainability and Environment, *2008-09 Annual Report,* October 2009, p.67

464 Department of Sustainability and Environment, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, received 29 January 2010, p.26

465 Department of Primary Industries, *Energy Technology Innovation Strategy,* <www.new.dpi.vic.gov.au/energy/projects-research-and-development/energy-technology-innovation-strategy>, accessed 31 March 2010

- *research and development: stimulating development of new low-emissions energy technologies to technical proof-of-concept;*
- *demonstration: enabling the progression of the most promising of these through product proof-of-concept and initial scale-up; and*
- *enabling demonstration of the most promising of these at pre-commercial scale to prove 'bankability' of the technology (i.e. an acceptably-low technical risk for commercial implementation).*

- *promote leading-edge technology capacity in Victoria to underpin local and export market growth to benefit the economy and the environment.*

The ETIS contains a number of initiatives. Two of these initiatives, which the Committee has focussed upon, are:

- International Power IP Hazelwood 2030 project; and
- HRL Limited 550MW Power Generation Plant.

Table 16.1: Energy Technology Innovation Strategy initiatives

Project	Project description
International Power IP Hazelwood 2030 project	Consists of two parts which are independent of each other: 1. A large scale coal drying and combustion plant; and 2. A 25 tonne per day carbon capture plant to demonstrate the latest carbon capture technology.
HRL Limited 550MW Power Generation Plant	Build and run a large-scale power plant using world-first clean coal technologies developed in Victoria. The plant will trial a high-efficiency, integrated drying gasification technology, which is both low-cost and low-emission. The new technology is expected to deliver around a 30 per cent reduction in carbon dioxide emissions and a 50 per cent reduction in water usage compared with best practice brown coal-fired power generation in the Latrobe Valley.

Source: *Department of Primary Industries, Victoria's Energy Technology Innovation Strategy, Your energy future lies in Victoria, p.7, 10, 14.*

The Department of Primary Industries Annual Report provided information on the progress with the ETIS and has indicated that the timelines for the ETIS initiative have been adjusted.[466]

The Committee sought further information on project timelines. The Department advised that the adjusted timelines for projects under the ETIS include:[467]

- ***International Power IP2030*** *– the coal drying and combustion component has been delayed by two years. Carbon capture is complete with commissioning having taken place in July 2009.*
- ***HRL Limited, 550MW Power Generation Plant –*** *project is behind schedule by at least two years. The project is currently awaiting approval on a planning application which has been lodged.*

466 Department of Primary Industries, *Financial Statements and Appendices 2008-09*, October 2009, p.50

467 Department of Primary Industries, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 4 February 2010, pp.6-7

The delays to these projects were due to the following:[468]

- ***International Power IP2030****'s coal drying and combustion component of the project has not commenced due to significant cost increases since the project was first announced. The project is also relying on the learning and success of a similar technology being applied in Germany. Negative impacts from the recent Global Financial Crisis and uncertainty associated with the introduction of the Commonwealth's Carbon Pollution Reduction Scheme have also contributed to the timing being revised.*
- ***The HRL Limited 550MW Power Generation Plant*** *has experienced delays to construction due to the difficulties in securing a suitable site and sourcing an appropriate supply of coal. Following an assessment of various options, HRL has now decided to build the plant on their Morwell Power Station site. HRL have advised that the maximum capacity of the plant will now be 550MW, rather than the previous 400MW due to changes in turbine size and plant configuration. As the construction of the Large Scale Clean Coal Power Generation Plant has not commenced, grant funds have not been paid.*

The impact of the timing adjustments on outcomes includes:[469]

- *The status of the* ***International Power IP2030*** *project is under review with new milestones being negotiated between DPI and International Power. Subject to agreement on the new milestones, the project is unlikely to be completed before 2015. This will delay the development of coal drying technologies in Victoria.*
- ***HRL*** *remains committed to the delivery of the 550MW Power Generation Plant and Financial Close for the project is expected to be in the first quarter of the 2010 calendar year. This will delay the development of coal drying technologies in Victoria but remains a critical part of the ETIS program to reduce carbon emissions.*

The Department believes it has mitigated the State's risk under the ETIS program by ensuring: [470]

> *...each milestone within their respective projects are complete before any grant funds are paid. The Department still holds a significant proportion of the allocated grant funds for each of the projects and where appropriate it is in the process of negotiating new milestones. However completion of these projects is subject to improving financial conditions and the successful delivery of these projects by the project operators.*

The Committee notes that a number of initiatives under the ETIS initiative have experienced significant delays. In particular, the IP Hazelwood 2030 and HRL 550MW Power Generation Plant projects have experienced delays of over two years. The significant delays in these two projects will delay the development of coal drying technologies in Victoria. Given that scientific research has found that drying brown coal, through a process of mild heating and squeezing to remove 70 per cent of the water, could cut greenhouse gas emissions by a third[471], the delays

468 ibid.

469 ibid.

470 ibid.

471 The Age newspaper, 'Clean Coal? Squeeze it, say scientists', 4 August 2004, <www.theage.com.au/articles/2004/08/03/1091476492485.html>, accessed 1 April 2010

experienced in these projects, along with the delays encountered with the Commonwealth Government's Carbon Pollution Reduction Scheme (CPRS), will in turn delay the process of providing reductions in greenhouse gas emissions from the brown-coal fired power stations in the Latrobe Valley.

Recommendation 53: **The Department of Primary Industries enhance their risk management framework over the ETIS program to prevent delays to project completion. This framework should include an internal review mechanism of project management to detect and rectify issues.**

16.3.2 Our Water Our Future Plan

Our Water Our Future: The Next Stage of the Government's Plan outlines the Government's approach to secure Victoria's water supplies. The Plan, launched in June 2007, was estimated to cost $4.9 billion and included:

- a new desalination plant for Melbourne;
- modernising Victoria's FoodBowl irrigation system;
- expansion of Victoria's Water Grid;
- upgrading Melbourne's Eastern Treatment Plant; and
- supporting new and existing water conservation programs for homes and industry.

The Department lists five major aspects of *Our Water Our Future* plan in its Annual Report: [472]

- Desalination Plant;
- Water Grid Expansion;
- Upgrading Irrigation Systems;
- Water Conservation Programs; and
- Water Recycling.

The Committee sought further information against each of these aspects as detailed in table 16.2, overleaf.

472 Department of Sustainability and Environment, *2008-09 Annual Report,* October 2009, p.34

Table 16.2: Our Water Our Future projects

Project	Progress against milestones	Expected completion date	Budgeted expenditure to 30/6/09	Actual expenditure to 30/6/09	Outcomes anticipated by 30/6/09	Outcomes achieved by 30/6/09	Explanations for variations
DESALINATION PLANT	On schedule	December 2011	$157.1 million	$157.1 million	EES exhibited Minister for Planning's decision on EES Issue RFP to short list bidders Lodgement of Works Approval Application (WAA) with EPA EPA decision on WAA Federal Minister's decision EPBC	EES exhibited on 20/08/08 Minister for Planning's decision received 9/01/09 RFP issued 29/09/08 Lodged WAA with EPA on 14/08/08 EPA decision on WAA handed down on 3/3/09 Federal Minister's decision received 27/03/09	
WATER GRID EXPANSION							
Melbourne Geelong Pipeline	On schedule	December 2011	$3 million	$3 million	Final business case submitted by water corporation. Award of full detailed design contract scope, completion and implementation of community engagement plan.	Final business case submitted by water corporation. Contract for detail design awarded; landholder consultations commenced.	

Project	Progress against milestones	Expected completion date	Budgeted expenditure to 30/6/09	Actual expenditure to 30/6/09	Outcomes anticipated by 30/6/09	Outcomes achieved by 30/6/09	Explanations for variations
Sugarloaf Pipeline[(a)]	On schedule	February 2010	This is a Melbourne Water project – State Government expenditure is nil.	Not applicable	Construction to commence in September 2008.	Construction commenced on 18 September 2008.	
Hamilton Grampians Pipeline	On schedule	April 2010	$4.5 million	$4.5 million	Detailed design completed. Complete tender process & award contract for pipes. Complete tender process & award contract for construction.	Detailed design completed. Tender awarded for pipes. Tender awarded for construction.	
UPGRADING IRRIGATION SYSTEMS	Early Works almost completed – some water installations outstanding. 2009 season works commenced by 30 June 2009 following initial delays.	2013-14	$303 million (project life to date).	$139 million (project life to date).	8 GL LTCE Water Savings (early works component)	On target to be met. Audit results due to be released in the near future.	The lower than expected expenditure is due to landholder signoff on associated legal agreements occurring after the end of the financial year.

Project	Progress against milestones	Expected completion date	Budgeted expenditure to 30/6/09	Actual expenditure to 30/6/09	Outcomes anticipated by 30/6/09	Outcomes achieved by 30/6/09	Explanations for variations
WATER CONSERVATION PROGRAMS – Melbourne's residential household water use for 2008-09 has reduced by 35 per cent per person when compared to the 1990s. Melbourne's industry water use for 2008-09 has reduced by about 41 per cent per person when compared to the 1990s.							
Water Smart Gardens and Homes Rebates Program	On schedule	June 2011	2008-09 budget $5 million	2008-09 expenditure $5 million	Target was 32,800 rebates for 2008-09	During the 2008-09 year 48,680 rebates were claimed. Overall the scheme has saved 2.3 GL of water per year. Total rebates since 2003 is 244,000.	
Showerhead Exchange	On schedule	Ongoing – Further 50,000 showerheads to be distributed to Melbourne households by December 2010	Program run by metropolitan water corporations – no Government funding.	n/a	Target to 30 June 2009 was 122,800 showerheads exchanged.	Actual showerheads exchanged were 127,749.	
WaterMAPs	On schedule	Ongoing – currently 1750 WaterMAP customers	$1.25 million	$1.25 million	100 per cent compliance with the requirement to complete a water management action plan. 8 gigalitres of water savings since the inception of the program.	100 per cent compliance with the program achieved. 15 gigalitres of water savings since the inception of the program.	

Project	Progress against milestones	Expected completion date	Budgeted expenditure to 30/6/09	Actual expenditure to 30/6/09	Outcomes anticipated by 30/6/09	Outcomes achieved by 30/6/09	Explanations for variations
WaterSmart Behaviour Change Program	On schedule	March 2010	$4 million	$4 million	Target of 22,000 participating households in metropolitan and regional Victoria.	Up to 100,000 households in metropolitan Melbourne and 10,000 households from Ballarat, Bendigo and Geelong.	
Schools Water Efficiency Program	On schedule	February 2010	$3 million	$4 million	A target of 1000 schools participating in the program by 30 June 2009.	1737 schools enrolled at 30 June 2009 saving 269 ML per year.	The over expenditure is due to additional funds being available from each school repaying the Department for project costs. The money is reinvested in delivering the program.
WATER RECYCLING							
Eastern Treatment Plant upgrade	On schedule	December 2012	Melbourne Water project	NA	Completion of technical trials. Design of works underway.	Technical trials completed. Design of works completed.	
Business case on use of new recycled water from upgrade of Eastern Treatment plant	Completed	Completed	$6.3 million	$4.0 million	To complete the business case on use of new recycled water.	Business case completed.	The cost of delivering the business case was less than expected.

Notes:

(a) There is no General Government Sector expenditure associated with the Sugarloaf pipeline. However, the Committee notes that expenditure is incurred by Melbourne Water Corporation for this project at a budgeted cost of $750 million.

Source: Department of Sustainability and Environment, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, received 29 January 2010, p.15–20

The Department of Sustainability and Environment has published a *Water Plan - 2 Years On* progress report and presented information on these major projects in its *Annual Report.* The Committee is pleased with this reporting via a number of means and looks forward to the continuing frequency and detail of reporting throughout the duration of these projects.

However, the Committee noted that the progress report and annual report provided only high-level information on actions taken to date and an indication as to whether the project was on track to achieve delivery date. There is limited reporting against project milestones and targets.

The Committee's *2009-10 Report on the 2009-10 Budget Estimates Part One – Volume Two* as part of the budget estimates hearings included discussion on water savings to be derived from the Foodbowl Modernisation Project. Further, the Auditor-General recommended in his report in April 2008 on *Planning for Water Infrastructure in Victoria,* that:[473]

> *DSE publish the detailed analysis underpinning the estimates of water savings and costs for the foodbowl modernisation project.*

The Committee is of the view that it is important for regular reporting to take place against project milestones and targets for major water infrastructure projects. Further details on the various projects under the *Our Water Our Future: The Next Stage of the Government's Plan* are contained in Chapter 3 *Public Sector Infrastructure and Asset Investment* of this report.

Recommendation 54: The Department of Sustainability and Environment provide regular progress reports against key water project milestones and targets.

16.3.3 Natural Resources Investment Program

The 2008-09 Budget provided $110 million over five years to the Natural Resources Investment Program (NRIP). The NRIP funds projects that address key environmental issues including:

- species and habitat loss;
- salinity and water quality;
- productive and sustainable landscapes; and
- climate change.

These natural resource management projects are being undertaken in conjunction with catchment management authorities and regional communities.

The Committee sought more details on the program including progress, expenditure and achievement against objectives.

The Department advised that:[474]

> *...the overarching objectives of the program are: Biodiversity Conservation; Sustainable Use of Natural Resources; Community Capacity Building and Institutional Change.*

473 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria,* April 2008, p.3

474 Department of Sustainability and Environment, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 29 January 2010, p.27

The objectives of the program were developed as part of the Victorian Land Health and Biodiversity Green Paper and are consistent with the over-arching objectives set out in GVT2 and Our Environment Our Future and the recently released Securing our Natural Future.

The main aims and objectives of the program are to:

- *maintain and enhance the condition and integrity of Victoria's natural assets;*
- *use and manage Victoria's ecosystems sustainability for the valuable products and services they provide;*
- *actively manage change across the landscape; and*
- *foster land stewardship and resilience in regional communities.*

The key milestones for the program as advised by the Department are:[475]

- *improvement in the extent and quality of native vegetation cover;*
- *improve the extent and quality of targeted threatened species and ecological communities;*
- *improve the extent and condition of the reserve system;*
- *enhance the resilience characteristics needed to allow our natural and productive ecosystems to survive and respond to climate change;*
- *reduce the impact of salinity and soil degradation in stressed catchments;*
- *secure knowledge and improve information base through better NRM monitoring and reporting;*
- *improve community capacity to participate in environmental decision making; and*
- *build partnerships that achieve environmental, social and economic outcomes.*

The Committee was advised that the progress included:[476]

- *NRIP has committed to a Market Based Instruments (MBI) approach to increase the extent and quality of native vegetation over the life of the program;*
- *the first tranche of $1 million was committed under BushTender in 2008-09;*
- *programs implemented by CMAs to protect high priority threatened species was undertaken across the state;*
- *additional high priority land has been acquired under NRIP to add to the Natural Reserve System in Victoria; and*
- *projects to enhance resilience and address salinity and soil degradation.*

475 ibid.

476 ibid., pp.27–8

The following table details high priority outcomes against performance measures:

Table 16.3: NRIP Performance Measures and Performance Outcomes

Initiative	Performance measure	Performance outcome
Improvement in the extent and quality of native vegetation cover	At a minimum, an increase of 10,000 Habitat Hectares across private land is delivered over the life of the 5 year initiative.	In its first year NRIP has been able to deliver an additional 600 Habitat Hectares.
Improve the extent and quality of targeted threatened species and ecological communities	Key threatened species' populations are provided with a high level of security to protect them against change. As a minimum, 10% of high priority actions for species and communities at high priority locations are delivered annually.	10% of high priority actions were delivered for species and communities at high priority locations.
Improve the extent and condition of the reserve system	Significant private land is managed sustainably and appropriately for biodiversity outcomes, including supplementing the functionality of the reserve system as necessary. As a minimum increase the area of land eligible for reserve system by 15,000 hectares over the life of the initiative.	In its first year NRIP has been able to deliver an additional 4,000 hectares of land eligible for reserve system.
Enhance the resilience characteristics needed to allow our natural and productive ecosystems to survive and respond to climate change	Rural and agricultural land is managed to build ecosystem resilience across the landscape. Sustainable land management practices will be promoted in response to a changing climate, emerging risks will be kept at manageable levels, volunteer and community groups will be supported in managing local priorities, and dispersed assets such as threatened species will be managed.	In its first year NRIP has been able to deliver: • extension services to promote sustainable land management practices to cope with a changing climate; • providing funding to deal with emerging risks (including funding to deliver threat abatement plans for key threatened species); and • supported community NRM groups in maintaining group capacity and provided funds to protect dispersed assets such as threatened species and communities.
Reduce the impact of salinity and soil degradation in stressed catchments	Soil health is managed to ensure it continues to support key ecosystem services, and its potential for offsite impacts or threats to other natural assets is limited. An increase of 20,000 hectares, over the life of the initiative, of privately owned land adjoining key natural assets is managed according to Environmental Best Management Practice (EBMP).	In its first year NRIP has been able to deliver an additional 5,000 hectares of land managed according to EBMP.

Source: Department of Sustainability and Environment, Response to the Committee's Financial and Performance Outcomes Questionnaire, Part Two, received 29 January 2010, p.28–9

In total, $22 million has been committed to be spent with $18.8 million allocated in the 2008-09 financial year. The remainder is due to be allocated early in the 2009-10 financial year.[477]

477 Department of Sustainability and Environment, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 29 January 2010, p.27–9

16.3.4 Water Recycling - Barwon Water

Barwon Water's Annual Report indicates that the corporation has a water recycling target of 25 per cent by 2015, up from 16.8 per cent in 2008-09.[478] The Committee sought information on what strategies Barwon Water has in place (or is planning) to increase usage of recycled water and overcome any obstacles to achieving that aim.

Barwon Water advised it is currently preparing a strategy for expanding the use of recycled water, and is implementing management changes to provide more effective and efficient delivery of recycled water services.

The following projects will create new and expanded opportunities for recycled water use:[479]

1. *The **Black Rock Recycled Water Plant**, expected to be completed in 2011, will ultimately produce 7 billion litres of Class A and C recycled water per year. It will produce the following recycled water products:*

    - *Improved (lower salinity) Class C recycled water – creating new and expanded opportunities for re-use; and*
    - *Class A recycled water – for dual pipe schemes serving growth areas at Armstrong Creek and Torquay North.*

2. *The **Northern Water Plant** – a $90 million project saving 2,000 ML/year of potable water, currently used by the Shell refinery, will produce Class A recycled water. Most of the Class A recycled water will be used by Shell, but the resource will also be available for community facilities, including sporting fields. The plant will also cut reclaimed water ocean discharges at Black Rock by 10 per cent a year.*

3. *The **Western Edge Water Reclamation Plant** will provide Class A recycled water via dual pipe to the Fyansford developments and to Queens Park golf course and sporting grounds. These projects aim to substitute 380ML per annum of potable water with recycled water by 2015, with a potential for a further 1780 ML per annum in development.*

4. ***Aquifer Storage and Recovery (ASR)** is being investigated at Lara, Fyansford, Angelsea and Armstrong Creek. The project scope includes aquifer viability, site evaluations and concept design of potential ASR/recycled water schemes. End uses for ASR recycled water could include potable substitution uses like dual pipe, industrial reuse and potentially Indirect Potable Replacement (IPR).*

5. *A **Recycled Water Business Plan** is being developed as part of Barwon Water's Strategic Intent which is incorporating market research and a marketing plan for recycled water.*

478 Barwon Region Water Corporation, *2008-09 Annual Report,* October 2009, p.56

479 Barwon Region Water Corporation, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 29 January 2010, pp.6–7

Barwon Water also advised the Committee that the major obstacles to increased usage and proposals to overcome these major obstacles are:[480]

1. ***Low/slow uptake of domestic Class A recycled water use*** *– to mitigate the demand risk, Barwon Water will adopt a staged implementation of the water reclamation plants using technologies that can be modularly augmented to respond to changed demand and mandate connections in areas serviced by a dual pipe scheme, including Armstrong Creek, Torquay North, and Fyansford.*

2. ***Confusion regarding the different classes of recycled water –*** *to mitigate this, Barwon Water will organise a focused education program with community representatives, property developers, landowners, residents and schools at Armstrong Creek and other areas serviced by dual pipe, which will address specific health and safety issues.*

3. ***High salinity of Class C –*** *the new Black Rock Recycled Water Plant will produce lower salinity Class C recycled water. This lower salinity water will benefit customers and further enhance sustainable long-term use.*

16.3.5 Barwon Water Alliance

Alliancing is a method of procuring major capital assets, where a State agency (the owner participant) works collaboratively with private sector parties (non-owner participants). Working as an integrated, collaborative team, they make unanimous, principle-based decisions on all key project issues. The concept of collective assumption of risk applies in alliance contracts where the alliance participants bear all risks equitably (although not equally regarding financial consequences).[481]

Barwon Water has formed an alliance partnership with the private sector to deliver over 100 medium-sized projects worth $350 million. The venture is an alliance between Barwon Water, GHD and John Holland. The two private sector partners are contributing the following expertise to the alliance:[482]

- GHD is contributing predominantly design, environmental and stakeholder management expertise; and

- John Holland is contributing predominantly construction and commercial management expertise.

Projects to be delivered by the Alliance include those associated with water supply, water distribution, water treatment, sewer collection, water reclamation and disposal and recycled water.

The Committee sought further information from Barwon Water in regard to assurances of the effectiveness of the alliance model.

480 ibid.

481 Department of Treasury and Finance, *Project Alliancing*, <www.dtf.vic.gov.au/CA25713E0002EF43/pages/project-alliancing>, accessed 24 March 2010

482 Barwon Region Water Corporation, *Barwon Water Alliance,* <www.barwonwater.vic.gov.au/about/corporate/alliance>, accessed 24 March 2010

Barwon Water advised that, with assistance from consultants Sinclair Knight Merz, it:[483]

> *…undertook a strategic review of its capital delivery capability and capacity between August and November 2008.*
>
> *In assessing various delivery models available, consideration was given to Barwon Water's key objectives of surety of delivery, capability building, quality of deliverables, ability to demonstrate cost competitiveness, regional support and impact on our people and reputation.*
>
> *The key outcome of the strategic review, endorsed by the Barwon Water Board, was that an Alliance would be the most efficient and effective delivery model for mid-sized projects (generally between $250,000 and $25 million) until such a time that the size of the capital works program returned to a more historically normal level.*
>
> *Each project referred to the Alliance is subject to a Barwon Water Business Case approval (including consideration of procurement method). Specific deliverables and costs are controlled on each project via a governance structure that includes Barwon Water approval gateways at the functional and detailed design stages of each project.*
>
> *Barwon Water also retains the services of an independent estimator and external financial auditor to ensure the costs and performance of the Alliance represent value for money.*

The Committee notes that a benchmarking study into alliancing titled *In Pursuit of Additional Value: A Benchmarking Study into Alliancing in the Australian Public Sector* was published in October 2009 covering 71 alliances across the Public Sector in Australia. The study was undertaken through a collaborative effort between Evans & Peck and the University of Melbourne with the Victorian Department of Treasury and Finance as the lead sponsor. The major findings from the study were as follows:[484]

- *business cases often did not clearly define the project Value for Money proposition to the rigour required for investment decision making. In particular, the average increase from business case cost estimate to Actual Outturn cost (AOC) was of the order of 45–55 per cent and a robust program and budget was not evident from the business case stage;*
- *the primary reasons for selecting the alliance delivery method were to achieve early project commencement through early involvement of the Non-Owner Participants (NOPs);*
- *often physical works commenced prior to finalising the commercial arrangements with the NOPs;*
- *there was no clear correlation between the number of Owner resources provided to the alliance and enhanced Value for Money; and*

483 Barwon Region Water Corporation, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 29 January 2010, p.9

484 Department of Treasury and Finance, *In Pursuit of Additional Value: A Benchmarking Study into Alliancing in the Australian Public Sector*, October 2009, p.xi–xiv

- *the project's physical works were able to be commenced many months in advance of what would have been possible using traditional delivery methods leading to a commensurate earlier completion date. The majority of projects met the Owners' target completion dates as set out in the business case.*

Given the study found that there were significant variations between the business case cost estimate and actual outturn cost, the Committee believes that for infrastructure projects being delivered under an alliance, central agencies (such as DTF) should closely monitor performance with a view to providing continuously updated guidance and training in project planning and implementation using the Alliance concept. In particular, greater emphasis needs to be placed on lessons learnt in the preparation of business cases and their approval.[485]

Barwon Water advised the Committee that to ensure that the costs and performance of the Alliance represent value for money they retain the services of an independent estimator and external financial auditor. The Committee is pleased to see this approach being adopted to enhance the process of ensuring costs and performance of the Alliance continue to represent value for money.

485 ibid.

CHAPTER 17: CARING COMMUNITIES

Key findings of the Committee:

17.1 **The Department of Human Services advised that the client records information system for Statutory Child Protection Services was unable to report with complete accuracy on compliance with all performance measures. The Department is reviewing the suite of child protection performance measures in response to the Ombudsman's report and developing a new regional audit and monitoring system to improve the monitoring and accountability of the child protection program.**

17.2 **Victoria Police has reported that the Safe Streets Task Force (SSTF) has put in place measures to reduce violence in public places. The effectiveness of these measures is evaluated on an ongoing basis, principally through assessing their impact on crime statistics. As at 31 December 2009, there has been a reduction of 8.7 per cent in total street assaults in the area which encompasses the CBD and inner Melbourne compared with the result at the same time in the previous year.**

17.3 **Victoria Police has introduced a new ethics and values training module for new recruits. The outcomes of such training over time should be publicly reported.**

17.4 **The number of reported incidents of vandalism that affected the delivery of train services for 2008-09 was 1,671, compared to 2,252 in 2007-08 a decline of over 25 per cent. Incidents declined across all lines except for a minor increase for Williamstown.**

17.5 **Investment in services to students with disabilities in 2008-09 was $461.1million. 19,115 students were supported by the Program for Students with Disabilities in Victorian government schools. Of this group, 10,693 students attended regular schools, and 8,422 students attended special schools. The Committee looks forward to the early publication of the whole-of-government strategy aimed at establishing a more sustainable service system for children with a disability.**

17.6 **The Committee has recommends that the Department of Justice develop a more systematic process for measuring the performance of the Koori Courts in contributing to reducing the number of Indigenous offenders.**

17.7 **The Victorian Multicultural Commission reported that it had received a less than expected number of applications from ethnic organisations based in regional and rural locations for its community grants program. The target for applications from these groups was 350, and the actual number was 299. It is taking measures to meet this target in future years.**

17.1. Introduction

Caring Communities is the fourth *Growing Victoria Together* vision examined by the Committee in this year's Financial and Performance Outcomes Report.

This chapter contains outcome-related analysis and comment on selected government activities which support the Caring Communities vision. The Committee asked departments and agencies a range of questions relating to the *Growing Victoria Together* goals of building friendly, confident and safe communities and achieving a fairer society that reduces disadvantage and respects diversity.

17.2. Building friendly, confident and safe communities

17.2.1 Keeping young people safe

Monitoring Statutory Child Protection Services

In its 2008-09 annual report, the Department of Human Services advised that it was not reporting on the provision of Statutory Child Protection Services using the performance measure 'Compliance with requirement to formally review each child subject to more than two reports in a 12 month period', as due to its complexity, other options for measuring cumulative harm were being assessed.

The Department advised that:[486]

> *...early identification and response to patterns of cumulative harm to children and young people is a critical part of the legislative and practice reforms embedded in the Children, Youth and Families Act 2005. Child protection policies and guidelines have been updated to include the move from single incident response to one more focused on the cumulative effect of harm. All child protection workers have now received training in the new approach.*
>
> *The Department introduced an output performance measure for 2007-08 to monitor the cumulative harm provisions in the new legislation. In operational terms the cumulative harm measure translates into the requirement to formally review each child subject to more than two consecutive un-investigated reports in a 12 month period.*
>
> *While the Department believes that this requirement was usually being met operationally in 2007-08 and 2008-09, the client records information system was unable to report with complete accuracy on compliance against the measure.*
>
> *In response to the recommendation made by the Ombudsman following the investigation into child protection, the Department will be reviewing the suite of child protection performance measures so that a focus on comprehensive investigation of reports is encouraged.*
>
> *The development of a new regional audit and monitoring system, announced in September 2009 as part of the $77 million boost to child protection, will improve the monitoring and accountability of the child protection program. This is due to be completed in the first half of 2010.*

486 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 18 February 2010, pp.10–11

The Department also advised the Committee that further actions designed to respond to concerns raised by the Ombudsman and to improve monitoring of performance include:[487]

- *The establishment of a new Child Protection Practice Standards and Compliance Committee made up of experts and an independent chair with expertise in the fields of monitoring and accountability. It will report to the Minister for Community Services through the Secretary and outcomes of the committee's work will be published in the Department of Human Services' annual report.*

- *The establishment of a new area within the Department of Human Services with responsibility for monitoring child protection compliance with statutory obligations and practice.*

- *The creation of executive positions in each region to proactively manage service delivery, demand pressures and workforce matters and increase regional oversight and monitoring of child protection practice.*

The Committee welcomes the Department's advice that it is responding to the Ombudsman's concerns and that it recognises the need to better monitor performance in this critical area, which is at the heart of the GVT Caring Communities vision.

17.2.2 Crime and Policing

Reducing violence in public places

The annual reports of the Department of Justice and Victoria Police indicated that '*Victoria Police strategies, such as the Safe Streets Taskforce, have strengthened the enforcement effort directed at reducing alcohol-fuelled violence in public places.*'[488]

Further to material in their annual reports, Victoria Police and the Department of Justice advised the Committee that:[489]

> *…the Safe Streets Task Force (SSTF), which operates on Friday and Saturday nights from 2000 to 0600 hours, has put the following measures/initiatives in place, all of which are aimed at reducing violence in public places. The effectiveness of these measures is evaluated on an ongoing basis, principally through assessing the impact of such measures on crime statistics.*
>
> *An SSTF Weekend Risk Matrix has also been developed to effectively roster suitable numbers according to intelligence-based major event and seasonal 'problem' weekends. This allows Victoria Police to maintain a highly visible presence at those times assessed as being at highest risk of anti-social behaviour. It also ensures the available funding is allocated to provide maximum capability when required.*

487 ibid.

488 Department of Justice, *Annual Report 2008-09*, n.1, October 2009, p.109

489 Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 9 February 2010, p.16

The Committee was also advised of the use of intelligence-based operations, run in conjunction with SSTF, including:[490]

- *Booze Bus/Traffic Management Units targeting drink driving issues;*
- *The targeting of specific licensed premises with a history of poor behaviour;*
- *The use of Passive Alert Detection (PAD) dogs to target drug use issues;*
- *The Melbourne Embona task force, which targets armed offenders;*
- *A dedicated crime unit to provide more fluid and efficient detection of significant crime incidents occurring in the central entertainment precincts; and*
- *The rostering of a Crime Scene Desk Unit to provide expertise to crime scene processing.*

The Committee welcomed this evidence of concerted and coordinated action of the Victoria Police and sought further information on the effectiveness of these measures.

Victoria Police advised that as at 31 December 2009:[491]

> *...there had been a reduction of 8.7 per cent in total street assaults in Region 1 Division 1 (which encompasses the CBD and inner Melbourne) compared with the result at the same time in the previous year. Selected SSTF (Friday and Saturday nights from 2200 to 0600 hours) performance statistics also demonstrate the results of the increased, high visibility police presence in the Melbourne CBD.*

Table 17.1: Selected Safer Streets Task Force performance statistics

	2007-08	2008-09
Visits to licensed premises	11,185	29,005
Licensed Premises Incident Reports	760	1,207
Licensing Infringement /General warning and follow up	72	95
Offensive Behaviour/Indecent Language Infringement Notices	254	2,049
Council Penalty Notice – consume alcohol in public	571	2,736
Banning Notices	365	2,043
Persons checked (details taken)	26,768	78,531
Field (public) contacts	1,220	1,758
Vehicles checked	5,919	20,494
Preliminary Breath tests administered	1,681	7,726

Source: Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes questionnaire – Part Two, received 9 February 2010, p.17

Given ongoing community concern, the Committee urges Victoria Police to continue their comprehensive intervention program and to continue to monitor closely the effectiveness of the program and its component parts.

490 ibid.

491 ibid., p.17

Ethics and values training for police

The Victoria Police Annual Report indicates that:[492]

> *...one of the key recommendations of the Integrity System for Police Project which was completed in 2008-09 and will be implemented in 2009-10 with the introduction of ethics and values training to the new recruit force. From July 2009, all new recruits will participate in ethics and values training as part of a two week induction course prior to commencement of the main training program. Eventually, ethics values training will be rolled out to all ranks and classifications within Victoria Police to further reinforce and embed ethical decision making in all aspects of policing.*

In response to the Committee's request for further information, Victoria Police advised that:[493]

> *...the recently (July 2009) revised recruit curriculum, includes an introductory module of ethics and values training. This includes:*
>
> - *Experienced front line officers speaking on the day to day challenges, routine, discretion and ethical considerations;*
> - *Professional Reporting, where recruits receive presentations from the Internal Witness Support Unit and a member who has gone through the process of coming forward to report serious misconduct;*
> - *Ethical Standards Department investigators presenting case studies; and*
> - *Sessions on Policing a Democratic Community, where public interest issues and organisational expectations are discussed.*
>
> *The new module has been presented to seven recruit intakes since July 2009 and, improvements, where identified, have been made to content and outcomes.*

The expected outcomes of the program as advised by Victoria Police are:[494]

- *Reduction in criminality and corruption within Victoria Police;*
- *Encouraging and fostering a Restorative Justice approach, where honest mistakes will be forgiven and managed in a performance context;*
- *Encouraging, supporting and increasing professional reporting of serious misconduct; and*
- *Building resilience in junior police to resist and cope with ethical conflicts that arise in everyday policing and interactions with the community.*

492 Victoria Police, *2008-09 Annual Report*, October 2009, p.19

493 Victoria Police, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 9 February 2010, p.14

494 ibid.

In terms of measuring, Victoria Police advised that:[495]

> *...the Ethical Standards Department has the ability to interrogate a number of databases including the Register of Complaints and Serious Incidents and Discipline (ROCSID) to obtain quantitative data on performance against selected measures. The ethics and values training module has only recently been introduced to recruit training (July 2009), so it is too early for an evaluation to be conducted. Longitudinal studies are currently being planned in conjunction with the Australian Research Centre and partnered by the Office of Police Integrity. Those studies will include provision of qualitative data on the progress of this initiative. Some of the activities the study will undertake include:*
>
> - *Survey of recruits who have undertaken the new ethics and values training and comparing those results to other recently-graduated police who were trained under the old recruit schedule.*
> - *Survey and interviews with police who have undertaken the new training and comparing and revisiting the survey or other instruments, at points one year, two years and further into their career to determine if attitudes change; what are the trigger points; are they more resilient; and what changes their ethical attitudes.*
>
> *The overall aim will be to measure cultural change within Victoria Police through a number indicators such as increases in internal reporting, building resilience in police, using restorative justice approaches to correct unwanted behaviours and reductions in criminality and corruption.*
>
> *Cultural change is seen by Victoria Police as a longer term objective that will take a number of years to produce the desired results, whilst other initiatives such as the increased use of the Management Intervention Model are providing promising results in the restorative justice area.*

The Committee is pleased to note that Victoria Police has developed a training program with expected outcomes which are well-defined and have a clearly identified range of quantitative and qualitative measures of performance. The Committee recommends that Victoria Police publicly report on the outcomes of this program.

Recommendation 55: Victoria Police report to the public on the outcomes of the ethics and values training being introduced to the Force.

Vandalism on trains

Vandalism on trains causes disruption to services and additional expenditure in preventative measures and repairs. The annual report of the Department of Transport advised that strong regulatory frameworks and programs are in place to improve safety on public transport.

The Committee sought further information on the number of reported incidents of vandalism for 2008-09 compared to 2007-08.

495 ibid., p.15

The Department advised that:[496]

> *...the Train Operation Performance System (TOPS) records incidents that have impacted passenger service delivery. TOPS data indicates that the number of reported incidents of vandalism that affected the delivery of train services for 2008-09 was 1,671, compared to 2,252 in 2007-08, a reduction of over 25 per cent.*

The following tables detail incidents by type, by line, by time of day and place.

Table 17.2: Vandalism Incidents by Type over 2007-08 and 2008-09

Incident type	2007-08 (incidents)	2007-08 (%)	2008-09 (incidents)	2008-09 (%)
Window damage	932	41.4%	751	44.9%
Graffiti related	579	25.7%	373	22.3%
Other train damage	163	7.2%	138	8.3%
Mirror damage	78	3.5%	61	3.7%
Rock throwing	62	2.8%	35	2.1%
Other	438	19.4%	313	18.7%
Total	**2,252**	**100%**	**1,671**	**100%**

Note: *Statistics are from the TOPS database, which measures incidents, that impact upon service delivery. As such, the percentages quoted above do not directly reflect percentages of vandalism on trains, rather types and percentages of vandalism that impact services.*

Source: *Department of Transport, Response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire, Part Two, received 25 February 2010, p.31*

Table 17.3: Vandalism Incidents by Train Line over 2007-08 and 2008-09

Line	2007-08 (incidents)	2007-08 (%)	2008-09 (incidents)	2008-09 (%)
Alamein	113	5.00%	79	4.70%
Belgrave	186	8.30%	102	6.10%
Cranboume	115	5.10%	79	4.70%
Craigieburn	126	5.60%	95	5.70%
Epping	157	7.00%	143	8.60%
Frankston	228	10.10%	166	9.90%
Glen Waverley	135	6.00%	87	5.20%
Hurstbridge	232	10.30%	166	9.90%
Lilydale	215	9.50%	156	9.30%
Pakenham	133	5.90%	118	7.10%
Sydenham	107	4.80%	80	4.80%
Sandringham	165	7.30%	127	7.60%
Stony Point	9	0.40%	7	0.40%

496 Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2010, p.31

Line	2007-08 (incidents)	2007-08 (%)	2008-09 (incidents)	2008-09 (%)
Upfield	93	4.10%	72	4.30%
Werribee	161	7.10%	102	6.10%
Williamstown	49	2.20%	53	3.20%
Other	28	1.20%	39	2.30%
Total	2,252	100%	1,671	100%

Note: *Statistics are from the TOPS database, which measures incidents, that impact service delivery. The above table lists lines that were impacted, not necessarily lines on which the vandalism occurred.*

Source: *Department of Transport, Response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire, Part Two, received 25 February 2010, pp.31–2*

Table 17.4: Vandalism Incidents by time of day over 2007-08 and 2008-09

Time Band	2007-08 (incidents)	2007-08 (%)	2008-09 (incidents)	2008-09 (%)
Weekdays First train –9.30am	271	12.00%	244	14.60%
Weekdays 9.00am–3.30pm	333	14.80%	228	13.60%
Weekdays 3.30pm–6.30pm	409	18.20%	243	14.50%
Weekdays 6.30pm–last train	445	19.80%	387	23.20%
Saturday	500	22.20%	380	22.70%
Sunday	294	13.10%	189	11.30%

Note: *Statistics are from the TOPS database, which measures the time at which incidents are reported.*

Source: *Department of Transport, Response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire, Part Two, received 25 February 2010, p.32*

Table 17.5: Vandalism Incidents by location over 2007-08 and 2008-09

Location	2007-08 Incidents	2008-09 Incidents
Metropolitan	2252	1671
Regional	281	221

Source: *Department of Transport, Response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire, Part Two, received 25 February 2010, p.32*

The Committee welcomes the large decline in the number of vandalism incidents over a 12 month period and the fact that there has been an absolute decline on all lines except for a minor increase for Williamstown.

The Committee notes that Metro Trains Melbourne (MTM) has advised that it has:[497]

> *...contracts dealing with graffiti, vandalism and cleanliness issues both at stations and on rolling stock costing over $13 million per annum. This also includes measures primarily aimed at the prevention of rolling stock vandalism in train sidings.*

497 ibid., pp.32–3

17.3. A fairer society that reduces disadvantage and respects diversity

17.3.1 Reducing disadvantage in education

Services to students with disabilities

The Department of Education and Early Childhood Development reported that, in relation to the Services to Students output measure, its investment in services to students with disabilities in 2008-09 was $461.1million, compared to a target of $435.6 million.[498]

The Department provided the following financial breakdown of educational services to students with disabilities in 2008-09 in response to the Committee's request:[499]

- *$299m – Allocated to Victorian government regular and special schools via Program for Students with Disabilities individual student funding.*
- *$40m – Allocated to schools providing specialised educational programs for students with hearing impairments, autism spectrum disorders and behavioural disorders.*
- *$37m – Allocated to Victorian government special schools according to special school enrolments and students' stages of learning.*
- *$31m – Allocated to all Victorian government primary and secondary schools via the Language Support Program.*
- *$6m – Allocated to Victorian government special schools to adjust for school complexity and size for schools with low enrolments.*
- *$4m –Specific programs e.g. for students with complex needs, Medical Intervention Support, and delivery of early education programs at special schools for pre school children with disabilities.*
- *$44 million in costs associated with program administration and delivery, including depreciation.*

The Committee noted that in last year's Budget, the Government provided new output funding of $336.5 million over four years ($70.6 million in 2008-09) to the Program for Students with Disabilities.

The Committee ascertained that:[500]

> *...in 2008-09, 19,115 equivalent full time students were supported by the Program for Students with Disabilities in Victorian government schools. Of this group, 10,693 EFT students attended regular schools, and 8,422 EFT students attended special schools. A breakdown by region of student numbers of students with disabilities supported by the PSD is detailed below in the following table.*

498 Department of Education and Early Childhood Development, *Annual Report 2008-09,* October 2009, p.48

499 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 28 January 2010, pp.1–2

500 ibid., pp.2–3

Table 17.6: Number of students, by region, with disabilities supported by the PSD

Region	Student Numbers (EFT) 2008-09
Barwon South Western	1625
Eastern Metropolitan	3308
Gippsland	1245
Grampians	949
Hume	880
Loddon Mallee	1285
Northern Metropolitan	2945
Southern Metropolitan	3919
Western Metropolitan	2958
Total	**19115**

Source *Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes questionnaire – Part Two, received 28 January 2010, p.3*

The Committee sought further information from the Department on the objectives and outcomes of the program. It was advised that the:[501]

> *...objectives for the Program for Students with Disabilities are published in the Program for Students with Disabilities Guidelines, and consist of:*
>
> *(a) Student learning – Student potential for growth and development in discipline-based, personal and interpersonal learning and independence in learning is maximised and is consistent with their goals and aspirations.*
>
> *(b) Student engagement and wellbeing – Students are motivated and are able to participate fully in their education and wider school life, consistent with their goals and aspirations*
>
> *(c) Student pathways and transitions – Students make successful transitions to, throughout and from school, and the pathways selected maximise their potential for growth and development while they attend school and after they leave school.*
>
> *Information is collected through existing data collections, such as the Department's Attitudes to Schools survey, On Track data collections, and the supplementary school census. In addition, the Department is developing new data collections to facilitate the assessment of outcomes for students supported by the PSD.*

In regard to achievements in 2008-09 against planned expectations, the Department advised the Committee that:[502]

> *...the Program for Students with Disabilities operated within budget in 2008-09 and that parent satisfaction with special education met its 2008-09 target of 85 per cent.*

501 ibid., pp.3–4

502 ibid., p.4

The Committee notes that in its *Blueprint for Education and Early Childhood Development*, released in September 2008, the Government made a commitment to develop a whole-of-government strategy for children and young people aged 0–18 with a disability or developmental delay.[503] In its report on progress in implementing the Blueprint, *Blueprint for Education and Early Childhood Development*: *One Year On*, the Government advised that it was developing a strategy which aimed to establish a more sustainable service system that improves the wellbeing, development, education, community participation and future economic participation of all Victorian children and young people with a disability or developmental delay and their families.[504]

The Committee welcomes the development of this strategy, and takes this opportunity to emphasise the importance of developing outcome measures which reflect the priorities of the strategy and which are supported by adequate data collection and a reporting regime which provides a regular assessment of the outcomes and identifies areas for further improvement. The Committee looks forward to the early publication of the whole-of-government strategy.

National Partnership Agreements

In its annual report, the Department of Education and Early Childhood Development advised that new agreements reached through the COAG process will provide additional resources critical to working towards the Victorian Government's *Growing Victoria Together* targets.

The Department's 2008-09 annual report[505] stated that:

(a) COAG agreed to a series of new national partnership agreements focused on teacher quality, literacy and numeracy, and outcomes in low socio-economic status school communities; and

(b) the National Partnership Agreement on Indigenous Early Childhood Development was signed to improve outcomes for Indigenous children in their early years.

The Committee sought information on how outcomes with regard to low socio-economic status school communities and Indigenous children in their early years are to be measured and reported in future. The Department advised that:[506]

> *On 29 November 2008, the Commonwealth and States and Territories, via COAG, entered into a series of multilateral Smarter Schools National Partnership (NP) Agreements including:*
>
> - *National Partnership on Improving Teacher Quality*
> - *National Partnership on Low Socioeconomic Status School Communities*
> - *National Partnership on Literacy and Numeracy.*

503 Department of Education and Early Childhood Development, *Blueprint for Education and Early Childhood Development,* September 2008, p.22

504 Department of Education and Early Childhood Development, *Blueprint for Education and Early Childhood Development: One Year On,* November 2009, p.10

505 Department of Education and Early Childhood Development, *2008-09 Annual Report*, October 2009, p.3

506 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 28 January 2010, pp.26–7

Victoria has developed an integrated approach to the Smarter Schools NPs demonstrated through a single Bilateral Agreement and Victorian Implementation Plan (VIP) covering the three NPs. The VIP will seek to support specific cohorts of students who face additional challenges in improving educational outcomes including Koorie students, students from English as a Second Language (ESL)/ refugee backgrounds and students with disabilities. Different strategies will be embedded within initiatives in the NPs where appropriate to provide tailored support for these specific cohorts. In addition, initiatives in the VIP will also be tailored to students in low SES communities as appropriate.

The VIP commits Victoria to report to the Commonwealth against a number of outcome measures for all participating NP schools. These include:

- *NAPLAN results*
- *Teacher judgments*
- *English Online*
- *Student absence*
- *Staff and student perceptions drawn from staff and student surveys.*

In addition, the Multilateral Agreement on Low SES School Communities commits all jurisdictions to report on:

- *The proportion of Indigenous and Low SES children enrolled in and attending schooling;*
- *Literacy and numeracy achievement of Year 3, 5, 7 and 9 Indigenous and Low SES students in national testing;*
- *The proportion of the 19 year old Indigenous and low SES population having attained at least a Year 12 Certificate or equivalent or AQF Certificate II; and*
- *The proportion of Indigenous students completing Year 10.*

Victoria will report on this data annually in its report to the Commonwealth on the VIP.

17.3.1 Delivering justice

Koori courts

Koori Courts are designed to address Indigenous over-representation in the justice system and reduce alienation within the Court sentencing process by providing a culturally sensitive court environment. Koori Courts have been established in Magistrates' Courts in Broadmeadows, Shepparton, Warrnambool, Mildura, Moe/La Trobe Valley, Bairnsdale and Swan Hill. In addition two Children's Koori Courts operate in Mildura and Melbourne.

In November 2008, a County Koori Court opened at the La Trobe Valley Law Courts as a four-year pilot project. It is the first of its kind in Australia.

In its *2008-09 Annual Report*, the Department of Justice refers to the success of the Koori Courts program. In particular, through the Victorian Aboriginal Justice Agreement, the Department of Justice continued to work closely in partnership with the Koori community to deliver more than 50 programs and projects to reduce over-representation of Koories in all stages of the criminal justice system.[507]

The Department provided the Committee with statistics on the numbers of Koories in the criminal justice system for 2006-07, 2007-08 and 2008-09, categorised between the numbers undertaking community-based orders and the number of prisoners.

Table 17.7: Average Daily Indigenous Prisoner and Community-based Offender Population 2006/07 to 2008/09

	2006-07	2007-08	2008-09
	Indigenous	Indigenous	Indigenous
Community-based offenders [(a)]	305	354	380
Prisoners [(b)]	222	236	249
Total	**527**	**590**	**629**

Notes:

(a) The count of community-based offenders includes both offenders under community-based supervision and offenders on community work only orders.

(b) The count of prisoners includes both sentenced and un-sentenced prisoners.

Source: Corrections Victoria Data Warehouse.[508]

The Department further advised the Committee that several evaluations had been undertaken in recent years including a 2005 evaluation of the Koori Courts Pilot Program and a 2009 study of the Children's Koori Court. The former study attested to the success of the pilot program in terms of a recidivism rate much lower than the general level of recidivism, while the latter study was a comprehensive tracking of 62 young Koories.[509]

The Department also advised that:[510]

> *…in 2009 it undertook a comprehensive review of the current court model and how it could be strengthened and expanded in the future. This included an extensive consultation process with stakeholders. A series of recommendations for future development of the program have been presented to the Aboriginal Justice Forum.*

507 Department of Justice, *2008-09 Annual Report*, October 2009, p.36

508 Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 9 February 2010, p.31

509 ibid., pp.30–1

510 ibid., p.31

In describing progress against the indicators set out in 2006 *Victorian Indigenous Affairs Framework* (VIAF), the Victorian Government Indigenous Affairs Report 2008-09[511] describes the increased proportion of indigenous adults sentenced to prison as an area of concern, although it also reported improvements in the proportion of Indigenous people who are convicted within two years of their previous conviction and in the number of times Indigenous young people (aged 10–17 years) are processed by police.

The Committee recognises that addressing Indigenous representation in the criminal justice system requires a range of strategies, of which the Koori Courts program is one element. In view of the continued expansion of these Courts, particularly the introduction of the County Koori Court, it is important that clear performance measures are identified and the outcomes of the Koori Court program are evaluated regularly using these measures.

The Committee recommends that the Department of Justice put in place a systematic and rigorous process of measuring the performance of the Koori Courts in contributing to the overall objective of reducing Indigenous representation in the criminal justice system.

Recommendation 56: The Department of Justice develop a systematic and rigorous process for measuring the performance of the Koori Courts.

17.3.2 Respecting diversity

Multicultural grants in rural and regional areas

The Committee noted that that the Victorian Multicultural Commission did not meet its target of approving 350 grants to multicultural groups in rural and regional Victoria, and the actual number approved was 299 grants. The VMC explained that the number of regional and rural grants had fallen slightly below expectations due to a less than expected number of applications from organisations based in those areas.[512]

The VMC further advised the Committee that while fewer than planned applications were received and the target was not attained:[513]

> *Since 2005-06 the number of grants approved to organisations from regional and rural locations has increased by approximately 25 per cent (from 240 in 2005-06 to 299 in 2008-09).*
>
> *The Commission held information sessions about the grants program in Morwell, Geelong, Shepparton and Mildura during August 2009 and further information sessions will be held in regional and rural Victoria in 2010 (prior to the opening of the next round of grants). The Commission advised it will continue to encourage applications from groups and organisations in regional and rural Victoria, and places a priority on those applications.*
>
> *As a consequence of the various strategies and factors identified, the VMC anticipates that the target of 350 will be attained in the coming years.*

511 Department of Planning and Community Development, *Victorian Government Indigenous Affairs Report 2008-09*, November 2009, p.20–1

512 Department of Premier and Cabinet, *2008-09 Annual Report*, October 2009, p.128

513 Department of Premier and Cabinet, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 2 February 2010, p.3

The Committee considers that there is scope for more detailed reporting by the VMC on the strategic objectives and outcomes of its community grants program.

Although the VMC has nominated separate output measures for metropolitan grants and for rural/regional grants, the Annual Report (which lists all the grant recipients) does not provide a breakdown according to location for the organisations funded under the program. Rural and regional communities are not identified as being a priority for any of the seven categories for which grants are available.

The Committee considers that the VMC should put in place a strategy to ensure that its grant program is targeted to meet the needs of ethnic communities in rural and regional areas. This would assist the VMC to address any issues which might be causing a reduction in the number of grant applications from these communities. Reporting on the location of organisations receiving community grants would support this targeted approach and highlight grant categories in which organisations from rural and regional Victoria were under-represented.

Recommendation 57: **The Victorian Multicultural Commission develop a strategy to ensure that its community grants program meets the needs of ethnic communities in rural and regional areas.**

CHAPTER 18: VIBRANT DEMOCRACY

Key findings of the Committee:

18.1 **The Community Cabinet Program covered 22 local government areas in 2008-09 (including a focus on visiting bushfire-affected areas after the February 2009 bushfires) compared to 14 local government areas in 2007-08.**

18.2 **The Department of Treasury of Finance generated estimates of lotteries gambling revenue for 2008-09 for all lotteries combined (i.e. Tattersalls and Intralot). No decomposition of the 2008-09 Budget estimates was made between the two operators, Tattersalls and Intralot. The Committee has recommended that in future the Department of Treasury and Finance provide and report expected revenue and actual revenue from the sale of specific lottery products.**

18.3 **The Department of Treasury and Finance undertook a thorough review of its governance of State risk management and created two new sub-committees to take effect in 2009-10. The review found the overall combination of former sub-committees covered many of the key whole-of-government risks, however, there were some overlaps and gaps. The review found that there was a need to rationalise the agenda of these committees and their relationship with the Treasury and Finance Board to ensure all the key whole-of-government financial and risk management issues were being adequately covered.**

18.4 **The Department of Treasury and Finance employs a number of practices, frameworks and legislative measures to optimise the State's ongoing financial performance. These include administration of the requirements of the Financial Management Act 1994 (which includes the observance of a set of sound financial management principles) and the pursuit of three key objectives which guide the Department of Treasury and Finance's policy directions to achieve the outcome of sound financial management.**

18.5 **The latest reports from the two ratings agencies, Standard & Poor's and Moody's Investors Service, confirmed Victoria's triple-A credit rating. Standard & Poor's have specified that the ratio of 'net debt (excluding advances paid) plus superannuation liability to revenue' for the Non-Financial Public Sector is a key element of this assessment. The trigger point for a possible downgrade would be if this ratio exceeds 130-140 per cent. At 30 June 2009, this ratio was 74.8 per cent and is forecast to increase to 105.5 per cent by 30 June 2013.**

18.6 **The Committee is of the view that the Department of Treasury and Finance could include in the State's annual financial report and Budget Papers, for the benefit of Parliament and the Victorian public, some of the main factors assessed by ratings agencies when forming their credit opinion and should provide commentary on these key factors.**

18.7 **The Committee recommended that the Department of Treasury and Finance disclose the long-term superannuation projections for the SSF in the budget papers. This will increase the accountability to Parliament and the general public of the Government's progress in achieving its strategy to fully fund the SSF by 2035.**

18.8 **The Victorian Government allocated $10.72 million for development work to investigate options for standardising core Information and Communications Technology (ITC) services. The delivery of a business case with detailed financial analysis cost $4.9 million with the remaining funds used to support program mobilisation and planning activities.**

18.9 **The Committee believes that Parliament would benefit from the Department of Treasury and Finance including in their annual report the savings achieved, compared to target, resulting from the Efficient Technology Services (ETS) program.**

18.10 **The Victorian Fund Management Corporation's (VFMC) investment performance, before fees, to 30 June 2009 was –13.74 per cent compared to a benchmark of –10.90 per cent for one year; –2.65 per cent compared to a benchmark of –0.90 per cent for three years and 4.33 per cent compared to a benchmark of 5.45 per cent for five years. The VFMC is undertaking a number of measures to improve investment performance in the future.**

18.1. Introduction

Vibrant Democracy is the fifth *Growing Victoria Together* vision examined by the Committee in this year's Financial and Performance Outcomes Report.

This chapter contains outcome-related comments on selected government activities which support the Vibrant Democracy vision. The Committee asked departments and agencies a range of questions relating to the *Growing Victoria Together* goals of greater public participation and more accountable government and sound financial management.

18.2. Greater public participation and more accountable government

18.2.1 Community Cabinet Program – increasing opportunities for seeking community input

The Department's annual report for 2007-08 foreshadowed that, in terms of future plans, the Cabinet Secretariat would provide recommendations to increase opportunities for community participation and feedback for future Community Cabinet programs.[514]

The Committee noted that the Cabinet Secretariat managed six Community Cabinet visits into metropolitan and regional Victoria during 2008-09 including bushfire-affected areas,[515] compared to 12 in 2007-08.[516] After the 2009 Victorian bushfires in February 2009, the Community Cabinet focussed on visiting bushfire-affected areas.[517]

514 Department of Premier and Cabinet, *2007-08 Annual Report,* p.10

515 ibid., p.16

516 ibid., p.10

517 ibid., p.16

The Committee sought further information on the conduct of the program in 2008-09. DPC told the Committee that:[518]

> *...during 2008 the Community Cabinet program was revised to incorporate a less structured and broader approach to community interaction and participation. The revised program includes extensive open meetings and discussions with members of the community, and covers a greater geographic area than previous visits.*
>
> *During 2007-08, the 12 Community Cabinet visits covered 14 local government areas. The six Community Cabinet visits in 2008-09 covered 22 local government areas, thereby enabling more people the opportunity to attend a Community Cabinet visit.*
>
> *During 2008-09, it was recommended that consideration be given to more extensive advertising of each Community Cabinet visit to promote greater community awareness of visits and therefore maximise access and community engagement. It was recommended that advertisements call for community members to register to attend community discussions in order to enhance event planning, better gauge the impact of community advertising and to enable targeting of community organisations who may not have registered to attend.*
>
> *It was also recommended that community discussion sessions commence later in the day to enhance community participation and access. This recommendation was in response to feedback that some people have difficulty obtaining time off work to attend community discussions scheduled for earlier in the day.*
>
> *These recommendations were implemented during 2008-09 with advertisements covering a broader geographic area, community members registering their interest to attend either online or by telephone, and community discussion being held late-afternoon to enable greater community participation.*

The Committee noted that of the six Community Cabinet visits during 2008-09, two were metropolitan visits (Cities of Hume and Whittlesea and municipalities along the Eastlink Corridor); and four were regional visits (the Wimmera Region of Horsham, Yarriambiack and West Wimmera, and Bushfire Recovery visits to the Yarra Valley, Eaglehawk and Redesdale and the Gippsland region).[519]

The Committee believes that consideration should be given to the inclusion of a performance measure in the Budget Papers relating to public participation in the Community Cabinet program.

Recommendation 58: The Department of Premier and Cabinet consider including a new performance measure and target in the budget papers relating to public participation in the Community Cabinet program.

518 Department of Premier and Cabinet, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, received 2 February 2010, p.26

519 Department of Premier and Cabinet, *2008-09 Annual Report,* October 2009, p.16

18.3. Sound financial management

18.3.1 Taxation revenue from the sale of Intralot products

The 2008-09 financial year was the first year of operation of Intralot since being awarded a Public Lottery Licence in Victoria. The Victorian Commission for Gambling Regulation's Annual Report details that the amount of taxation revenue collected from the sale of Intralot lotteries products during 2008-09 was $18.5 million.[520] The Committee sought further information on this matter. The Department of Treasury and Finance advised that:[521]

> *...estimates of lotteries revenue (from tax on player loss from the sale of lottery products) were made using a top-down model which generated projections for all lotteries combined (i.e. Tattersalls and Intralot). No decomposition of the 2008-09 Budget estimates, between Tattersalls and Intralot, was made.*
>
> *For this reason it is not possible to indicate how much taxation revenue was originally budgeted for 2008-09 from the sale of Intralot products or the variance between budgeted and actual.*

The Committee believes that the Department of Treasury and Finance should provide and report separate budget estimates of lotteries taxation revenue from the sale of various lottery products. This will enhance information to Parliament and the general public.

Recommendation 59: The Department of Treasury and Finance should in future budget papers provide and report on expected and actual revenue from the sale of specific lottery products.

18.3.2 Whole-of-government risk management

In July 2007, the Victorian Government Risk Management Framework (VGRMF) was introduced with the purpose to '*support good practice in public sector risk management.*'[522]

While all government agencies that report in the State's Annual Financial Report are required to apply the VGRMF, three departments and agencies, namely, the Victorian Managed Insurance Authority (VMIA), the Department of Premier and Cabinet (DPC) and the Department of Treasury and Finance (DTF) play a key role in monitoring, reporting and advising government in relation to compliance with risk management requirements under existing legislation, and risks that impact more broadly across the public sector.

The VGRMF identifies that:[523]

> *...the VMIA has a key role to play as a central advisor and source of support for the Victorian State Government in relation to non-financial, insurable and non-insurable risks.*

520 Victorian Commission for Gambling Regulation, *2008-09 Annual Report,* October 2009, p.87

521 Department of Treasury and Finance, response to the Committee's Financial and Performance Outcomes Questionnaire – Clarification Questions, received 15 April 2010, p.9

522 Department of Treasury and Finance, *Victorian Government Risk Management Framework,* July 2007, p.3

523 ibid., p.6

DPC is responsible for:[524]

> *…managing risk through its role as a central agency that co-ordinates the cabinet process and supports the Premier on issues affecting all of government, as well as in his portfolio of ministerial responsibilities.*

DTF supports the Treasurer and Minister for Finance in complying with obligations under the *Financial Management Act 1994.* This includes provision of risk management frameworks for capturing, monitoring and reporting on financial risks.[525]

DTF also plays a key role in advising on risks to service delivery through regular reporting against delivery of departmental outputs, whole-of-government performance reports and developing and maintaining a suite of governance frameworks and providing support to the Expenditure Review Committee of Cabinet.

The Committee noted that in 2008-09, the Department undertook a thorough review of its governance of State risk management and created two new sub-committees to take effect in 2009-10. Of these two new sub-committees, the Risk Management Committee provides oversight of the development, operation and effectiveness of the Department's whole-of-government risk management framework related to the State's financial and non-financial risks.[526]

The Department advised that:[527]

> *…the Victorian Government Risk Management Framework (VGRMF) brings together information on governance policies, accountabilities, and roles and responsibilities for all those involved in risk management and mandates a minimum risk management standard across public sector entities.*
>
> *The framework consists of the following elements:*
>
> - *Adoption of a common risk management standard across the public sector, which is consistent with the Australian/New Zealand Risk Management Standard;*
> - *Attestation by the Accountable Officer/Board that their department/agency have risk management processes in place consistent with a common risk management standard and these processes are effective in controlling risks to a satisfactory level; and*
> - *Information on governance policies, accountabilities, roles and responsibilities in relation to risk management.*
>
> *The VGRMF also promotes the need to address inter-agency and state-wide risks when developing and implementing risk management processes. Further, the VGRMF provides a central resource with links to a wide range of risk management information sources.*

524 ibid., p.7

525 ibid.

526 Department of Treasury and Finance, *2008-09 Annual Report,* October 2009, p.13

527 Department of Treasury and Finance, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, received 12 February 2010, pp.8–9

To some extent all major risks require some level of oversight at a central level to provide an integrated response across the public sector. Examples of risk which require a centrally co-ordinated response include climate change, demographic trends, economic risks and emergency risks.

It is important to note that the terms of reference for the Risk Management Committee provides a responsibility for oversight and assurance regarding identification of all whole of government financial and non-financial risks. The Risk Management Committee is also charged with the responsibility of assuring that the frameworks in place to manage these risks are effective.

18.3.3 Financial management practices employed to optimise State's ongoing financial performance

In noting the challenging financial and economic conditions and the deterioration in 'Net result from transactions – Net operating balance' for the State of Victoria from $1,638.6 million in 2007-08 to -$62.9 million in 2008-09,[528] the Committee sought an outline of the financial management practices that the Department of Treasury and Finance employs to optimise the State's ongoing financial performance.

The Department advised that it: [529]

...employs a number of practices, frameworks and legislative measures to optimise the State's ongoing financial performance, including the following:

(a) Administration of the requirements of the Financial Management Act 1994 that includes the observance of a set of sound financial management principles, including:

- *prudently manage financial risks faced by the State, taking into consideration economic circumstances;*
- *pursue spending and taxation policies that are consistent with a reasonable degree of stability and predictability in the level of the tax burden;*
- *maintain the integrity of the Victorian tax system;*
- *ensure that government policy decisions have regard to their financial effects on future generations; and*
- *provide full, accurate and timely disclosure of financial information relating to the activities of the Government and its agencies.*

(b) Pursuing its three key objectives, which guide DTF's policy directions to achieve the outcome of sound financial management. As outlined in Budget Paper 3 Service Delivery 2009-10 (page 249), the three objectives are:

- *maintain a substantial budget operating surplus that allows for the delivery of the Government's infrastructure objectives;*

528 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, p.32

529 Department of Treasury and Finance, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, received 12 February 2010, pp.9–10

- *guide government actions to best increase living standards for all Victorians through the provision of innovative policy advice; and*

- *champion an integrated whole-of-government 'value for money' approach to ensure optimal service delivery and the provision of world-class infrastructure to benefit all Victorians;*

(c) Development and maintenance of cohesive financial management and compliance assurance frameworks, including the Financial Management Compliance Framework and Financial Reporting Directions;

(d) Provision of strategic budget and financial analysis and advice to Ministers, Cabinet and Cabinet sub-committees, including a robust budget allocation process coordinated by the Expenditure Review Committee, which includes all output and asset investment decisions and other strategic issues considered in the broader budget context;

(e) Management and forecasting of cash balances, management of the public sector's superannuation scheme liabilities, provision of financial risk management and advice, and the review and analysis of the performance of departments, with a focus on delivering value for money services to the community;

(f) Development and implementation of a prudential risk management and reporting framework in respect of Public Financial Corporations and strategies to manage the State's financial risks; and

(g) Provision of advice and frameworks to manage commercial and infrastructure project risks.

The Committee notes that the *Public Finance and Accountability Bill 2009* was introduced into Parliament on 8 December 2009 and is currently being debated. The Bill will replace and consolidate the following acts into one comprehensive Act:

- *Financial Management Act 1994;*
- *Borrowing and Investment Powers Act 1987;*
- *Monetary Units Act 2004;* and
- *Public Authorities (Dividends) Act 1983.*

The Department of Treasury and Finance explained that the purpose of the Bill is to: [530]

- *modernise the framework for public finance, accountability and resource management in Victoria;*
- *enhance governance across the public sector and cover key elements of public finance, including planning, budgeting, reporting, procurement, borrowing and investment, and appropriations; and*
- *make the outcomes that government is trying to achieve the basis for all decision making and accountability.*

530 Department of Treasury and Finance, *Public Finance and Accountability Bill fact sheet, p.1*

Further, the Bill will be underpinned by a number of principles which will aim to further optimise the State's ongoing financial performance. The principles that the Government plans to apply to public finance and public resource management in Victoria include:[531]

- *manage the State's finances and risks prudently, and ensure that policy decisions have regard to present and future generations;*
- *ensure that planning, budgeting and accountability processes will focus on the achievement of outcomes through the provision of outputs;*
- *ensure that the use of public resources is in accordance with a plan and authorised in an appropriate manner;*
- *establish and maintain systems and procedures to ensure that public resources are managed effectively and achieve value for money; and*
- *ensure reporting will be clear, accurate, timely and useful.*

18.3.4 Indicators of the State's financial condition

In reviewing the indicators of financial condition for the State of Victoria, the Committee noted that the ratio of 'Net debt plus superannuation liability to revenue' increased from 41.8 per cent for 2008 to 74.8 in 2009.[532]

The Department of Treasury and Finance advised the Committee that it: [533]

> *...does not have a specific upper limit for this parameter, however it is monitored alongside other key qualitative and quantitative measures. Measures include such things as the local and global economic outlook, net debt and net debt plus superannuation liabilities to GSP, net financial liabilities to GSP, as well as various metrics set out in Moody's rating methodology.*
>
> *Standard and Poor's (S&P), who in addition to Moody's assess the State, look at a number of factors when forming a credit opinion. S&P have specified that 'Net debt (excluding advances paid) plus superannuation liability to revenue' of the Non-Financial Public Sector is a key ratio in this assessment, and that the trigger point for a possible downgrade would be if this ratio exceeds 130-140 per cent. The Government is committed to maintaining the State's triple-A credit rating, hence the Department advised that it works to ensure that the trigger isn't breached.*
>
> *The rise in this ratio in 2009 is partially driven by a $7.8 billion increase in the superannuation liability, equating to 18.5 per cent of revenue. This is mainly driven by a decline in the discount rate used to value the liability and a decline in the value of the superannuation assets invested as a result of financial market conditions. These factors are largely out of the State's control. Changes in the superannuation liability that arise due to movements in the discount rate do not impact on the amount of cash required to fund this liability.*

531 ibid., p.2

532 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09,* October 2009, p.39

533 Department of Treasury and Finance, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, received 12 February 2010, pp.12–13

> *Borrowings have also risen to fund the State's capital expenditure program. This includes significant projects being undertaken in the Public Non-Financial Corporations (PNFC) sector. The PNFC sector operates on a commercial basis where expenses are generally covered by revenue earned from charging commercial rates to users. While still monitoring the debt levels of PNFCs to ensure they are manageable, the debt for the larger entities in the sector on the whole can be considered self-sustaining.*
>
> *The result is also compared against DTF's internal target as well as S&P's published guidance.*

Victoria's credit rating is assessed by two international agencies - Standards & Poor's and Moody's Investors Service Limited. Both agencies conduct reviews of the State's economic structure and prospects, financial performance and outlook, balance sheet position, liquidity and debt management strategy, and the Government's fiscal strategy.[534]

The Committee notes that the Government has as one of its five short-term financial objectives to maintain a triple-A credit rating.[535] The latest reports from each ratings agency confirmed Victoria's triple-A credit rating.

In September 2009 Standard & Poor's released their latest credit ratings report for Victoria. The Agency stated:[536]

> *The ratings on Victoria are supported by the state's strong balance sheet, diversified economy, ongoing fiscal discipline and strong system support. These strengths are offset, as with all Australian states, by an institutional framework that contains a degree of vertical fiscal imbalance….. While Victoria's current policy favours partial debt-funding of its capital program, Victoria's debt levels are expected to remain consistent with the rating. However, the state's increased debt and lower revenues, will impact Victoria's fiscal flexibility as debt moves closer to Standard & Poor's trigger of 130% - 140%.*

Standard & Poor's went on to say:[537]

> *The stable outlook reflects the government's commitment to fiscal prudence. This includes a fiscal strategy that seeks to maintain an adequate operating performance and strong balance sheet.*

534 Department of Treasury and Finance, *Victoria's Credit Rating,* <www.dtf.vic.gov.au/CA25713E0002EF43/pages/economic-and-financial-policy-victoria's-credit-rating>, accessed 11 March 2010

535 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09,* October 2009, p.7

536 Standard & Poor's, *Ratings Direct - Victoria (State of)*, 2 September 2009, pp.2–3

537 ibid., p.3

Moody's Investors Service Limited provided its latest credit opinion on Victoria in January 2009. The Agency's summary comments relating to Victoria state that:[538]

> *Victoria's credit quality reflects a sound record of financial performance underpinned by the state's prudent fiscal practices along with strength in tax revenues and commonwealth grants, a modest debt burden stemming from positive cash operations over many years, and a sizable and diversified economic base which amply supports the state's financial obligations. A rise in capital spending recently has resulted in modest deficits in the general government sector and somewhat larger deficits in the state's consolidated operations.*
>
> *The state is well positioned to face a more challenging economic and fiscal environment that is unfolding in Australia as a result of the global downturn and credit crisis. Deficits in the general government and consolidated government sector's are expected to widen due to increased investment in state infrastructure and a slowdown in revenues. However, Victoria is well placed to absorb these deficits given its low debt burden.*

Moody's went on to say:[539]

> *The outlook is stable, based on Moody's assessment that the state's strong financial profile and low debt burden position it well to absorb financing deficits (net borrowing result) and an associated increase in debt burden anticipated over the medium term.*

The 2008-09 Financial Report for the State of Victoria contains a number of indicators of financial condition for the State with comparative data for the previous seven years. In particular, the Committee noted that the net debt plus superannuation liability to revenue increased from 41.8 per cent at 30 June 2008 to 74.8 per cent at 30 June 2009. This ratio is forecast to increase to 105.5 per cent by 30 June 2013.[540] This increase is driven by increased debt to fund the State's capital expenditure program. This increase remains below the Standard & Poor's trigger point for a possible ratings downgrade (130 – 140 per cent). The Committee also notes the following other indicators of the State's financial condition:

- the ratio of net debt plus superannuation liability to Gross State Product (GSP) has increased from 6.3 per cent at 30 June 2008 to 11.7 per cent at 30 June 2009;
- the ratio of net debt to GSP has increased from 1.4 per cent at 30 June 2008 to 4.0 per cent at 30 June 2009; and
- net debt has increased from $3,858.3 million at 30 June 2008 to $10,696.4 million at 30 June 2009.

Further detailed analysis on State debt can be found in Chapter 8 (State Debt) of this report.

538 Moody's Investors Service, *Credit Opinion: Victoria (State of) Australia,* 22 January 2009, p.1

539 ibid., p.2

540 Committee's calculation for 30 June 2013 based on information contained in 2009-10 Budget Update

The Committee notes that the State's Annual Financial Report includes commentary within the Chapter on 'Financial Objectives and Economic Conditions' regarding net financial liabilities including that:[541]

> *...the Government is maintaining modest and sustainable levels of net financial liabilities, consistent with both its triple-A credit rating and its commitment to the provision of improved services and infrastructure.*

The commentary also states when Victoria's triple-A credit rating was last re-affirmed by the two ratings agencies.

Recommendation 60: **The Department of Treasury and Finance include in the State's annual financial report and Budget Papers the main factors ratings agencies assess when forming their credit opinion and provide commentary on these factors.**

18.3.5 Development of superannuation liability management initiatives

Foundation work earmarked to be undertaken in 2008-09 in the Department's Business Plan included the task of developing superannuation liability management initiatives.[542] The Department advised the Committee that during 2008-09 the Department's key initiatives relating to the management of the State's superannuation liability were: [543]

- *A review of the State's policy of fully funding its superannuation liability by 2035. This involved an analysis of various funding scenarios to ensure that the State's resources were allocated efficiently. Ultimately, the existing approach was deemed most prudent at this stage; and*
- *The development of a proposal regarding the manner in which the State's superannuation liability is valued for financial reporting purposes. This proposal is likely to result in a significant reduction in the volatility of the reported superannuation liability and is currently with the Victorian Auditor-General's Office (VAGO) for further consideration.*

The Department also continues to obtain actuarial projections of the State's superannuation liability, expense and cash flows on a six monthly basis and monitors the progression of all of these items closely, especially in light of recent financial market volatility.

The State's balance sheet contains a superannuation liability in relation to public sector defined benefit superannuation schemes and represents the present value of expected future benefits that scheme members have accrued as a result of past service offset by the value of superannuation assets.

541 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09*, October 2009, p.13

542 Department of Treasury and Finance, *2008-09 Business Plan,* p.2

543 Department of Treasury and Finance, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, received 12 February 2010, pp.13–14

The value of the superannuation liability increased by $7.7 billion in 2008-09 from $12.9 billion at 30 June 2008 to $20.7 billion at 30 June 2009. The liability decreased by $3.8 billion between revised budget estimate and actual position on 30 June 2009. This change in the superannuation liability was due to a reduction in the discount rate used to value the liability and weak investment markets.[544] The change in the reported superannuation liability arising from the reduction in discount rate has not impacted on the amount of cash required to fund the State's superannuation liability over time. Funding requirements continue to be calculated using a long term investment return, currently 8 per cent a year before tax.[545]

In 2000, the State adopted a funding framework aimed at fully funding the unfunded superannuation liability in respect of the State Superannuation Fund (SSF) by 2035. Despite the significant increase in the superannuation liability in 2008-09, of which the SSF represents approximately 96 per cent, the State has confirmed that: [546]

> *...based on current projections, the state remains on track to achieve the full funding of the unfunded superannuation liability in respect of the State Superannuation Fund by the target date of 2035.*

The State aims to fully fund the SSF by periodically making top-up payments into the SSF from the Consolidated Fund. From 2002-03 to 2008-09, the State had made $5.3 billion in payments. The 2009-10 Budget outlined that over the next four years, 2009-10 to 2012-13, the State plans to make a total of $2.9 billion of payments.

The Committee noted that in each budget since the adoption of the funding framework in 2000, up to and including the 2008-09 Budget, the Government had included the long-term unfunded superannuation liability projections for the SSF. This information was generally contained in Budget Paper No. 2 *Strategy and Outlook*. However, the Committee noted that in the 2009-10 Budget this information was not included in the budget papers.

The Committee believes that including the long-term unfunded superannuation liability projections for the SSF in the Budget Papers increases accountability to Parliament and the general public by clearly showing how the Government is progressing in achieving its strategy to fully fund the SSF by 2035.

Recommendation 61: The Department of Treasury and Finance disclose the long-term unfunded superannuation liability projections for the SSF in the State Budget Papers. This will enhance the accountability to Parliament and the general public of the government's progress in achieving its strategy to fully fund the SSF by 2035.

544 Department of Treasury and Finance, *Financial Report for the State of Victoria 2008-09,* October 2009, p.24

545 Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.55

546 ibid.

18.3.6 Consolidating and rationalising information technology and administrative services across government

The Committee noted that the 2008-09 Budget provided $14.7 million to improve government productivity and efficiency by consolidating and rationalising administrative services across government.[547] It sought further details from DTF on expenditure and performance in this area.

The following summary table was provided by DTF: [548]

Table 18.1: 2008-09 State Budget Output Allocations

	2008-09 ($ million)
Efficient Technology Services (ETS)	10.72
Ancillary Services	4.0
Total	**14.72**

Source: *Department of Treasury and Finance,* Response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, *received 12 February 2010, p.16*

DTF advised the Committee that:[549]

> *...in 2008-09 the Victorian Government allocated $10.72 million for development work to investigate options for standardising core Information Communications Technology (ICT) services. This work focussed on the consolidation of common ICT services across all government departments and four agencies – VicRoads, Environment Protection Authority, State Revenue Office and Victoria Police.*
>
> *The delivery of a business case with detailed financial analysis was achieved at a cost of $4.9 million. The analysis undertaken has provided a solid basis for the Efficient Technology Services (ETS) program.*
>
> *Once the business case was approved, the remaining funds were used to support program mobilisation and planning activities.*
>
> *Planning was undertaken to:*
>
> - *consolidate email and calendar services onto one technical platform; and*
> - *develop a technical pilot for a new desktop for Victorian Government staff.*
>
> *These projects have since been completed or are nearing completion. Other mobilisation activities included development of a comprehensive process to migrate ICT services from departments to CenITex, the government-owned ICT shared service provider.*

The Committee notes that the Government provided funding of $10.7 million for the ETS program in the 2008-09 Budget with a further $95.2 million provided in the 2009-10 Budget.

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547 Budget Paper No.3, *2008-09 Service Delivery*, May 2008, p.356

548 Department of Treasury and Finance, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, received 12 February 2010, p.16

549 ibid.

CenITex is partnering with the Government Services Group (GSG) within the Department of Treasury and Finance to run the ETS program. The ETS program aims to support the Government's 2007 *Efficient Government* policy by:[550]

- *reducing the cost of providing core ICT services, saving money for other government priorities;*
- *creating a more flexible government, reducing the delays and productivity losses associated with machinery of government changes;*
- *enabling a better 'front line' service delivery, with the Government easily able to coordinate services and collaborate across departments, agencies and services without significant additional investment;*
- *improving workforce productivity, equipping government employees with better information security, access and desktop tools.*

The Committee believes that the Department of Treasury and Finance should report in their annual report the level of savings achieved, compared to target, resulting from the consolidating and rationalising of information technology services through the ETS program.

Recommendation 62: The Department of Treasury and Finance include in future annual reports the savings achieved, compared to target, resulting from the ETS program.

18.4. Victorian Funds Management Corporation

18.4.1 Investment performance during 2008-09 against benchmark targets

In terms of investment performance, the 2008-09 annual report details that:[551]

> *Investment returns for VFMCs Department of Treasury and Finance client portfolios in aggregate were -13.74%. This was below the composite benchmark of -10.9%. Over three years our client's portfolios in aggregate returned -2.65% against a benchmark return of -0.68%, while over five years, returns were 4.33%, compared to a benchmark of 5.45%.*

The Committee sought further information from the VFMC in regard to performance against benchmarks and received the following information on investment performance: [552]

550 CenITex, *2008-09 Annual Report,* October 2009, p.35

551 Victorian Funds Management Corporation, *2008-09 Annual Report,* October 2009, p.13–14

552 Victorian Funds Management Corporation, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, received 12 February 2010, p.1

Table 18.2: Whole of State Investment Performance – June 2009(a)

Asset Class	Performance (Before Fees)					
	One Year		Three Years		Five Years	
	Fund (% p.a).	Bmk (% p.a.)	Fund (%)	Bmk (%)	Fund (%)	Bmk (%)
Cash	5.55	5.48	6.46	6.40	6.17	6.10
Indexed Linked Bonds	-3.41	-1.04	1.84	3.05	4.63	5.35
Diversified Fixed Interest	-3.41	10.82	1.64	6.43	3.32	6.10
Australian Equities	-20.01	-20.34	-5.19	-3.73	6.19	6.91
International Equities	-20.46	-21.33	-9.31	-8.83	-0.47	-0.40
Property	-11.80	-8.62	4.87	6.18	9.08	10.27
Private Equity	-27.09	-20.34	-3.52	-3.33	3.10	7.39
Infrastructure	6.22	0.94	1.13	5.92	5.40	7.25
Absolute Return Funds	-20.18	7.58	-5.97	7.79		
Total:						
Before Fees	**-13.74**	**-10.90**	**-2.65**	**-0.68**	**4.33**	**5.45**
After Fees	**-14.04**		**-2.95**		**4.04**	

Notes:

(a) Whole of State Investment Performance includes the six mandated clients (ESSSuper – ESS DB, ESSSuper – SSF DB, PCSF, TAC, VMIA and VWA).

Source: Victorian Funds Management Corporation, Response to the Committee's 2008-09 Financial and Performance Outcomes, Questionnaire Part Two, received 12 February 2010, p.1

VFMC advised it is taking the following measures to improve investment performance in the future:[553]

- *recruiting experienced investment professionals to strengthen the investment team, including improving our in house capabilities. Key roles filled since mid 2009 have included a Head of Strategy and two senior Fixed Income Portfolio Managers;*
- *with the appointment of a Chief Executive Officer (CEO) in November 2009, the Chief Investment Officer (CIO) who had been filling both CEO and CIO roles since March 2009, has been able to focus solely on Investment and improving performance; and*
- *further investment in systems to better track and assess performance.*

It also advised that:[554]

> *...while not within the control of VFMC, the improvement in financial markets will result in improved absolute performance. Direct investment asset classes, such as Infrastructure together with Private Equity have lagged valuation metrics relative to market movements and these are expected to drive performance in 2009-10.*

553 ibid., p.2

554 ibid.

The Committee noted that investment performance, by asset class, did not achieve benchmark targets to 30 June 2009 as follows:

- five of nine asset classes over one year;
- eight of nine asset classes over three years; and
- seven of eight asset classes over five years.

The Committee also notes that due to the effects of the Global Financial Crisis on investment market performance, the established long-term objectives for each of VFMC's six mandated clients were not achieved at 30 June 2009.

The Committee believes that the inclusion of the asset allocation (per cent) for each asset class would be a useful addition to the commentary on investment performance in the VFMC annual report. This will enable Parliament and the general public to assess the relative performance against benchmark targets for each asset class for which VFMC's mandated clients have funds invested.

Recommendation 63: **The Victorian Funds Management Corporation should include in future annual reports the asset allocation (per cent) for each asset class for which VFMC's mandated clients have funds invested.**

CHAPTER 19: REVIEW OF ANNUAL REPORTS OF DEPARTMENTS, AGENCIES AND INDEPENDENT OFFICERS OF PARLIAMENT

Key findings of the Committee:

19.1 The level of compliance of departments' and agencies' annual reports with the Financial Management Act 1994 and the Standing Directions and Financial Reporting Directions of the Minister for Finance overall is satisfactory.

19.2 The Committee continues to identify a level of non-compliance or insufficient reporting against some aspects of the Occupational Health and Safety reporting requirements of FRD 22B.

19.3 Non-departmental government agencies displayed a low level of compliance with elements of the Financial Reporting Direction covering disclosures on workforce data, environmental performance and consultancies as required in the Report of Operations (FRD 22B).

19.4 Reporting of performance could be enhanced through better use of historical performance data.

19.5 The Committee has drawn attention to a number of areas where departments' and agencies' annual reports could be improved for transparency and good practice. The Committee intends to follow this up in future reports.

19.1. Introduction

Annual reports represent a key publication in the provision of open and accountable government. An annual report should provide accessible information regarding performance, resource expenditure and service delivery.

Public sector annual reports are required to comply with the requirements of the *Financial Management Act 1994* (FMA) and the Standing Directions and Financial Reporting Directions (FRD) issued by the Minister for Finance. The FMA requires annual reports of government departments and public sector agencies to include a report of operations and financial statements. Standing Directions and FRDs detail requirements for providing general information about operations and performance and an assessment of results and financial position.

Following on from the *Report on the 2007-08 Financial and Performance Outcomes,* the Committee has once again focussed on four FRDs and the reporting of performance outcomes and outputs.

This year the Committee has focussed its review on all departments, eight selected health agencies (Alfred Health, Austin Health, Barwon Health, Eastern Health, Melbourne Health, the Royal Children's Hospital, Southern Health and Western Health) and two independent officers of Parliament, Ombudsman Victoria and the Victorian Electoral Commission.

19.2. Review criteria

The Committee has assessed agencies against review criteria that focus upon:

- financial performance;
- outcomes and results against stated objectives;
- performance of government departments and agencies; and
- the Government's *Growing Victoria Together* visions.

Departments and agencies must meet legislated requirements for reporting specific information and this is reviewed as compliance with reporting requirements. However, when it comes to presentation of performance reporting, departments choose the form of presentation, including how the reporting of performance outputs is incorporated with other aspects of the reports.

An assessment of compliance with selected reporting requirements and the format and content of performance reporting are the basis of the Committee's review of annual reports.

19.2.1 Compliance with the Financial Management Act 1994, the Standing Directions and Financial Reporting Directions of the Minister for Finance

Departments and agencies are required to produce annual reports that comply with legislated and government directions. The Committee has selected four FRDs to assess compliance of government departments and health-related public sector agencies.

While departmental compliance was assessed against all four FRDs listed below, the remaining agencies have only been assessed against the middle two:

- FRD 15B – Executive Officer Disclosures in the Report of Operations by Departments;
- FRD 21A – Responsible Person and Executive Officer Disclosures in the Financial Report;
- FRD 22B – Standard Disclosures in the Report of Operations; and
- FRD 29 – Workforce Data Disclosures in the Report of Operations – Public Service Employees.

19.2.2 Performance reporting

The review of performance reporting focussed on how departments and agencies publicly reported their performance. Performance reporting needs to be accessible, balancing detail with context while providing accurate and sufficient reporting of the year's activities against targets and objectives set by the agency and Government.

Unlike legislated reporting requirements, performance reporting varies widely from department to department and between agencies. To review performance reporting the Committee used the following criteria to assess how successfully annual reports integrate aspects of performance reporting:

- performance against the departmental output targets specified in the State budget and whether they provide clear and detailed explanations for variations from these targets. Explanations should identify the factors that caused the variance and discuss the implications of this in relation to the output;
- an effective and detailed review of a department's or agency's performance which identifies and provides detailed analysis of performance against milestones, outcomes and budget targets for significant projects and programs;
- historical performance information as a context for assessing the relative performance of a department or agency. The Committee considers a minimum of at least three years' worth of historical data (where available) as necessary for comparative analysis of performance;
- clear and detailed explanations where actual performance varies significantly from the target or the previous year's result, including the identification and explanation of the factors that caused the variance and the implications of this on a department's or agency's ability to achieve the related output/objective; and
- accessible interpretation of performance data with reference to the intended outcomes. To effectively communicate performance, annual reports should clearly identify and report performance against the goals and objectives established in corporate plans.

19.3. Summary of findings

19.3.1 Compliance with the Financial Management Act 1994, Standing Directions and Financial Reporting Directions of the Minister for Finance

Overall, the Committee was satisfied with the level of compliance from departments and agencies in relation to the requirements of the *Financial Management Act 1994,* Standing Directions and FRDs of the Minister for Finance. The Committee reviewed eighteen agencies: ten departments and eight health-related agencies.

The Committee's review of departmental annual reports found further improvement in the disclosures from last year. The Committee noted some improvements regarding the disclosure of Occupational Health and Safety matters and consultancies.

The standard of reporting by non-departmental government agencies was reasonable. However, the Committee's review found instances where health agencies had failed to comply with certain aspects of the FRDs. In particular, the FRD 22B disclosure requirements for Occupational Health and Safety matters, workforce data, environmental performance and consultancies.

The Committee notes that the area of its greatest concern in both the 2006-07 and 2007-08 Reports on the Financial and Performances Outcomes, was in relation to reporting Occupational Health and Safety matters as required by FRD 22B. This FRD states that the Report of Operations must include a statement of Occupational Health and Safety matters that '*should identify the performance indicators adopted to monitor such matters, and outline the entity's performance against those indicators*.' The 2007-08 inquiry noted that only three departments had good disclosures and had fully complied with this requirement.

This year the Committee found that the disclosures made had improved from the prior year with six departments having good disclosures. Four other departments generally included high level information of Occupational Health and Safety policies but did not identify and report against the performance indicators adopted to monitor such matters. All of the eight health-related agencies reviewed had some information on high level Occupational Health and Safety policies, but only one (Southern Health) including detailed information on performance indicators or performance against these indicators.

The 2007-08 Financial and Performance Outcomes Report included the following recommendation:[555]

> *All government agencies identify and report against the full range of performance indicators adopted to monitor Occupational Health and Safety matters as per the requirements of FRD 22B. The Department of Justice Annual Report 2008-09 Appendix G provides an excellent example of the type of clear and detailed response to this requirement the Committee expects to see.*

The Government accepted this recommendation and noted that:[556]

> *DTF will incorporate disclosures based upon Appendix G from the Department of Justice Annual Report 2007-08 into the guidance material in the 2010 Model Departmental Report to provide a best practice example of best practice occupational health and safety indicators' disclosure.*

The Committee is disappointed that as a result there has not been a greater level of best practice reporting against this element of FRD 22B, particularly by government agencies.

Recommendation 64: **All government agencies report against the full range of performance indicators adopted to monitor Occupational Health and Safety matters as per the requirements of FRD 22B. The Department of Justice, Annual Report 2008-09 Appendix G provides an excellent example of the type of clear and detailed response to this requirement that the Committee expects would satisfy reporting to Parliament.**

The Committee also noted that two departments and all eight health-related agencies reviewed did not clearly identify whether the amounts reported for consultancies were GST exclusive (a requirement of FRD 22B).

555 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes,* May 2009, Recommendation 70, p.454

556 Victorian Government, *Response to the PAEC report No.87, 2007-08 Financial and Performance Outcome*s, p.40

The 2007-08 Outcomes Report included the following recommendation:[557]

> *All departments and government agencies identify and report individually on each consultancy arrangement greater than $100,000 as per the requirements of FRD 22B. The Department of Human Services Annual Report 2007-08 page 170 provides an excellent example of the type of clear and detailed response to this requirement the Committee expects to see.*

The Government accepted this recommendation and noted that:[558]

> *DTF will incorporate disclosure based upon the Consultancy Register from the DHS Annual Report 2007-08 (Page 170) into the guidance material in the 2010 Model Departmental Report to provide a best practice example of disclosure about consultancies valued in excess of $100,000 disclosure.*

The Committee would like to see a greater level of compliance with this requirement of FRD 22B, particularly by government agencies.

Recommendation 65: **All departments and government agencies identify and report against all of the specific requirements for disclosure of consultancies contained in FRD 22B. The Department of Human Services, Annual Report 2008-09 (page 159) provides an excellent example of a clear and detailed disclosure that the Committee expects would satisfy reporting requirements to Parliament.**

The Committee also identified the following other specific areas of non-compliance by some health agencies:

- four health agencies did not disclose the workforce data for the prior year; and
- four health agencies did not include a summary of the entity's environmental performance.

Recommendation 66: **All government agencies annually review their reporting responsibilities in relation to the Financial Management Act 1994, the Standing Directions and Financial Reporting Directions of the Minister for Finance, and put in place controls and appropriate quality assurance processes to ensure that all relevant requirements are addressed fully.**

557 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes,* May 2009, Recommendation 71, p.455

558 Victorian Government, *Response to the PAEC report No.87, 2007-08 Financial and Performance Outcomes*, p.41

19.3.2 Performance reporting

The Committee's review of departments' and selected agencies' annual reports noted that a significant variety of approaches was taken to performance reporting. In assessing the quality of performance reporting, the Committee looked for:

- the integration of reporting of performance outcomes with the description of programs and projects undertaken;
- the inclusion of performance targets and measures to support departmental and agency achievements during the year;
- the provision of historical performance data for comparative purposes; and
- the quality of reporting within the context of the Government's *Growing Victoria Together* vision.

The overall quality of performance reporting against intended outcomes was varied. Some departments and agencies adequately integrated performance data with the strategic priorities and objectives they set out to achieve, such as those contained within *Growing Victoria Together* and the departments' and agencies' own corporate and business plans. However, the Committee noted that numerous departments and agencies did not do so. The Committee noted the following issues relating to the quality of performance reporting against intended outcomes in departments' and agencies' annual reports:

- few departments and agencies reported performance against milestones and targets when detailing various activities and projects they have undertaken; and
- planned objectives from activities and projects were rarely established. The provision of contextual information about objectives provides a focus against which performance outcomes can be measured.

The Committee also found that there were generally three approaches adopted to reporting performance data and details of performance outcomes:

- report chapters fully integrating performance data within the broader commentary around the achievement of strategic priorities and goals and objectives;
- presenting performance data in an initial chapter with commentary and discussion in subsequent chapters; and
- including performance data in the appendices after the financial report.

The Committee's review of annual reports found that the majority of departments and agencies chose to include performance data in the appendices to the annual report.

The Committee's review found that most departments provided reasonable explanations for significant variations from performance targets, although the Committee had to request further information from some departments. The Committee would like to see the explanations for such variations included in annual reports as a matter of course.

The Committee is of the view that while comparative historical data is not specifically required by the Standing Directions or Financial Reporting Directions, its provision does allow a comparable analysis of a department's or agency's performance over time.

Recommendation 67: **All government departments and agencies that are required to report performance outcomes against targets specified in the State budget should provide specific detailed explanations for any variations of 10 per cent or more from target.**

19.3.3 Timeliness of reporting

All Government departments and agencies are required by the *Financial Management Act 1994* to make their annual report available to Parliament within four months, or 18 weeks, of the end of the financial year to which they relate or on the first sitting day of Parliament after the end of October. Virtually all entities with a 30 June financial year reporting period tabled their annual reports prior to the deadline. The Committee noted that five agencies did not table their annual reports by the deadline.

The Committee's report *New Directions in Accountability* recommended that:[559]

> *Departments and public bodies should be required to table in Parliament their reports of operations and audited financial reports within a period of three months (or 13 weeks) after the end of the financial year to which they relate which would be in line with better practice in a number of other jurisdictions and ASIC requirements.*

The Committee is pleased to note that the Public Finance and Accountability Bill 2009 proposes that the report of operations and audited financial statements of a department, 'category 1 public body' (a public financial corporation or a public body with assets and expenses equal to or greater than $100 million and $25 million respectively) and 'category 2 public body' (a public body with assets and expenses equal to or greater than or equal to $5 million) be tabled in Parliament by 30 September each year.

19.4. Detailed findings of review

19.4.1 Departmental annual reports

Department of Education and Early Childhood Development

The Department of Education and Early Childhood Development's annual report is a good example of integrated reporting. The Committee is pleased to note that the Department has improved upon last year's annual report by integrating the financial and output performance data with the discussion of key achievements and future plans and challenges for each of the Department's key programs. However, further use of historical data would provide the opportunity for comparative reporting.

The Department's annual report clearly identifies the relevant *Growing Victoria Together* targets and reports current and historical performance (seven years of historical data) against these targets.

The report demonstrates a high degree of compliance with the legislative reporting requirements of the Financial Reporting Directions and Standing Directions under the *Financial Management Act 1994*. The only minor area for improved compliance reporting was workforce data disclosure. Under FRD 29, entities are required to report the headcount and full-time equivalent numbers for

559 Public Accounts and Estimates Committee, *New Directions in Accountability: Inquiry into Victoria's Public Finance Practices and Legislation*, June 2009, p.51

a range of employment categories. The Department has only provided headcount information for VPS staff. Headcount information should also be included for teaching staff and non-teaching staff employed in schools.

The Committee would like the Department to consider adopting the following points in future annual reports:

- provision of a minimum three years of historical output performance data wherever possible; and
- inclusion of targets or planned timelines to support and allow an informed assessment of key achievements and initiatives.

Department of Human Services

The Department of Human Services receives the largest amount of budget funding and hence is required to report a wide range of activities in the annual report.

The department changed the structure of the Report of Operations for the 2008-09 Annual Report. The Report of Operations is now based on the key functional areas of the Department's activities instead of being based on the Department's six objectives of its long-term strategy. This change has improved the alignment to the performance output data which is contained in the appendices to the report.

The 2008-09 Annual Report has a particular theme 'to improve people's lives'. For the five 'sub-themes' connected to the overall theme a number of stories are told that explain the work undertaken by the Department under each 'sub-theme' which is an interesting development.

The Committee identified that the Report of Operations continues to place a very strong focus on reporting program and project highlights rather than on a schema of performance reporting against outcome targets on the Department's success in delivering these programs.

The Committee would like the Department to consider adopting the following in future annual reports:

- use of historical performance data to enable readers to understand major trends affecting performance outcomes; and
- placing enhanced focus on performance reporting in the Report of Operations.

Department of Innovation, Industry and Regional Development

The Department of Innovation, Industry and Regional Development's annual report provides in its Report of Operations detailed commentary on its objectives, milestones and achievements during the year. This is based around a separate chapter on each of nine identified priority activities of the Department. More use of historical data would enable better comparative or trend analysis.

The Department has a detailed corporate plan in place which includes clear, quantifiable annual measures of success and longer-term measures of success, however, many of these are not reported on in the annual report.

The introductory chapters to the Department's annual report (Economic Context, Role and Structure of the Department and Strategic Objectives) provide an excellent overview of the Department and the environment in which it operates. These sections detail the role of the

Department in relation to the *Growing Victoria Together* visions and also describe how each of the operating divisions assists in the Department achieving its strategic objectives.

Much of the Department's detailed performance and outcomes information is contained in the appendices to the annual report. This made it more difficult to link the performance information with the commentary contained in the Report of Operations. The Committee noted that the Department provided explanations for variances of greater than 10 per cent in output cost, however, no explanations were provided for variances in output measures and targets. DIIRD was the only department not to include these variance explanations in its annual report. Further, the Department did not provide any historical performance data with which to analyse and compare performance.

The Committee would like the Department to consider adopting the following in future annual reports:

- inclusion of explanations for variances of greater than 10 per cent in output targets and measures;
- integration of performance data into the main body of the report to enable improved assessment of the Department's performance; and
- making use of historical performance data to support the reporting of performance.

Department of Justice

The Committee found the reporting of financial and performance outputs to be comprehensive. The Department's annual report includes a one-page summary of priorities for 2008-09 which was outlined in eight major focus areas along with an achievements snapshot section.

The Department's annual report includes a separate Reporting on Performance section. This section provides the most comprehensive analysis and discussion of performance included in any annual report reviewed by the Committee, including presentation of at least two years of comparative performance data and helpful introductory paragraphs providing context. The detailed discussion included in the Report on Performance section of the report presents a good example to all departments of effective performance reporting.

Department of Planning and Community Development

The Department of Planning and Community Development's annual report presents a good example of integrated performance reporting. The format used is concise and the presentation clear and consistent between the Department's various output groups. The performance output information was consistently integrated with detailed summaries of selected programs, explanations for variances and the identification of future priorities. The annual report was also aligned with corporate objectives and overall government objectives such as *Growing Victoria Together*.

Compliance with the legislative requirements of the Financial Reporting Directions and Standing Directions under the *Financial Management Act 1994* is of a high standard. The only minor area for enhancement is Occupational Health and Safety.

The Committee would like the Department to consider adopting the following point in future annual reports:

- incorporation of comparative performance data from at least three previous years.

Department of Premier and Cabinet

The Department of Premier and Cabinet's annual report is structured the same as last year's and focuses on detailing the key roles and activities of the various branches and offices within the Department, highlights the key achievements for the year, and outlines future plans, challenges and directions for 2009-10.

The Department's annual report also incorporates a detailed section on the performance, achievements and next steps for the Victorian Bushfire Reconstruction and Recovery Authority since its establishment following the 'Black Saturday' bushfires in February 2009.

The Committee would like the Department to consider adopting the following points in future annual reports:

- inclusion of relevant performance data to support the key achievements and actions detailed in the Report of Operations; and
- making greater use of historical data to support the reporting of performance.

Department of Primary Industries

The Department of Primary Industries' 2008-09 annual report is presented in two volumes *(Annual Report* and *Financial Statements and Appendices).*

The Report of Operations is well structured around the Department's six strategic objectives in the *Strategic Plan 2008-2011*. It also contains sections at the start of the report on the Year in Review and a Financial Review. The Year in Review provides cross-references to all places where projects and programs are mentioned in the main body of the report which is very helpful.

The content of the Report of Operations is informative, however, would benefit from a greater discussion on performance along with the inclusion of goals, objectives and performance targets associated with the strategies around which it is based.

The financial statements and appendices present all of the financial and performance data relating to the Department's activities. The output performance measures are clear and concise, with good explanations provided for performance variations. The report makes excellent use of two years of historical data to support the performance data provided in the appendices. The Committee is especially pleased with the use of historical data when reporting against output performance measures contained in the budget papers.

The Committee would like the Department to consider adopting the following points in future annual reports:

- inclusion of greater performance data in the Report of Operations; and
- inclusion of goals, objectives and performance targets associated with the strategies around which the Report of Operations is structured.

Department of Sustainability and Environment

The Department of Sustainability and Environment presented a clear account of its performance measures and outcomes. The Committee found that the separation of performance reporting into environmental, social and financial sections was very constructive and a helpful way to provide a clear picture of the Department's achievements.

The Report of Operations is detailed, with clear descriptions of each of the projects discussed, including key data such as costs and quantified data about what has been achieved along with a number of useful graphs and maps.

The Report of Operations could be improved by explicitly linking it to the strategic priorities listed in Department of Sustainability and Environment's corporate plan or to *Growing Victoria Together*, which would help show how the Department's programs fit into the big picture and the goals the Department is aiming to achieve.

The Committee would like the Department to consider adopting the following points in future annual reports:

- inclusion of historical performance data to enable the assessment of trends in performance; and
- inclusion of detailed references between the Report of Operations and the relevant performance information in the appendices.

Department of Transport

The Department's 2008-09 annual report changes the structure of the Report of Operations from prior years. The chapters have changed to a discussion of the Department's five priorities instead of a discussion of the seven outcomes the Department aims to achieve. This structure change has resulted in the Department reducing the amount of performance information in these chapters, such as on Public Safety and Security.

Output performance data are contained within the appendices to the annual report. An appendix chapter, comprising 19 pages, is clearly set out with brief introductory sections, including linkages to *Growing Victoria Together*, and detailed and clear explanations provided for variances from target.

The Committee would like the Department to consider adopting the following points in future annual reports:

- making further use of historical data to support the reporting of performance and enable any trends in performance to be assessed; and
- inclusion of greater reporting of outcomes achieved rather than statements of work undertaken.

Department of Treasury and Finance

The Department of Treasury and Finance's annual report is an excellent example of integrated performance reporting. The Report of Operations is concise, easy to read and structured around the Department's six output groups. Each output group contains a description of major outputs/ deliverables, key projects and initiatives and a summary of output performance and the output data in relation to the Department's various output measures. The Department has also continued to make use of case studies to highlight the activities and achievements of key programs and initiatives in the Department. Use of historical data would assist comparative analysis.

The Committee would like the Department to consider adopting the following point in future annual reports:

- use of historical performance data to enable readers to understand major trends affecting output performance.

19.4.2 Government agencies' annual reports

Alfred Health

The annual report details various operational and financial outcomes covering access, activity and financial achievements during the year. Presentation and discussion of targets would have enhanced the information presented on agreed performance.

Alfred Health did not report on performance indicators adopted to monitor Occupational Health and Safety matters as required by FRD 22B (Standard Disclosures in the Report of Operations) and as recommended by the Committee (Recommendation 70) in the *Report on the 2007-08 Financial and Performance Outcomes.*

Austin Health

Austin Health presented one of the more comprehensive and complete annual reports of all the eight health related agencies reviewed. The report provides key performance data for the current year and four previous years with graphic presentation of each key performance area along with a brief analysis on the results. The annual report also includes the current year's performance achievements compared to established benchmarks or performance targets.

The Committee also noted that the full set of financial statements was made available separately to the annual report.

The Committee considers that there is some scope for improved reporting against FRD 22B (Standard Disclosures in the Report of Operations), in particular the inclusion of:

- workforce data for the previous period;
- summary of environmental performance; and
- financial statements in the body of the report.

Barwon Health

The Highlights and At A Glance Sections appear prominently at the front of the Barwon Health annual report and provide a good snapshot of the achievements and key performance results for the year. The report provides key performance data for the current year and four previous years with graphic presentation on the key performance areas. The report also provides a Performance Indicators section and a 5 Year Snapshot section.

The Committee considers that there is some scope for improved reporting against FRD 22B (Standard Disclosures in the Report of Operations), in particular the inclusion of:

- workforce data for the previous period; and
- summary of environmental performance.

Eastern Health

Eastern Health's annual report was the only health agency reviewed by the Committee to directly report performance of individual hospitals under its charge. These performance results were presented in a graphical format. The provision of historical performance data would have helped the reader to compare and analyse achieved performance.

The Committee notes that the section on Occupational Health and Safety should include performance indicators adopted to monitor such matters or outline the agency's performance against any such indicator, as required by FRD 22B and as recommended by the Committee (Recommendation 70) in the *Report on the 2007-08 Financial and Performance Outcomes.*

Melbourne Health

Melbourne Health's annual report includes a detailed section on each of its five goals. This highlights the key achievements against each of the goals during the year. Performance reporting would in the Committee's view be enhanced by inclusion of comparative historical data.

The Melbourne Health annual report also includes a section on environmental performance across various categories of water savings, waste and energy consumption, including comparing performance to the previous year.

The Committee considers that there is some scope for improved reporting against FRD 22B (Standard Disclosures in the Report of Operations), in particular the inclusion of:

- performance indicators adopted to monitor Occupational Health and Safety matters and an outline of the agency's performance against such indicators; and
- workforce data for the previous period.

Royal Children's Hospital

The Royal Children's Hospital's annual report provides a generally brief treatment of its activities, programs and achievements against established targets for the reporting period compared to other agencies. The financial statements comprises over 70 per cent of the annual report.

The report includes details regarding actual service performance achieved during the year for different service categories, such as elective surgery, mental health and access performance. Additional disclosure of performance targets and the provision of comparative historical data would have enhanced the presentation.

The Committee notes that the section on Occupational Health and Safety should include performance indicators adopted to monitor such matters or outline the agency's performance against any such indicator, as required by FRD 22B and as recommended by the Committee (Recommendation 70) in the *Report on the 2007-08 Financial and Performance Outcomes.*

Southern Health

Southern Health presented one of the more comprehensive and complete annual reports of all the eight health-related agencies reviewed. Key performance data for the current year and four previous years are included along with a number of graphic indicators on how performance, in terms of patient numbers and elective surgery operations, compared with the previous four years.

The Committee considers that there is scope for improved reporting against FRD 22B (Standard Disclosures in the Report of Operations), in particular, the disclosure of consultancies over $100,000 by including a summary of the project involved, total expenditure for the reporting period and future commitments relating to the consultant.

Western Health

Western Health's annual report includes a separate sub-section covering each of its five priorities. These sub-sections detailed Western Health's main achievements in meeting these five priorities during the year.

The annual report details performance achieved during the year associated with activity and access levels, particularly around patient numbers, types of admissions, elective surgery and emergency department performance. Additional disclosure of performance targets and the provision of comparative historical data would have enhanced the presentation.

The Committee considers that there is scope for improved reporting against FRD 22B (Standard Disclosures in the Report of Operations), in particular the inclusion of:

- a schedule detailing the consultants engaged and a brief summary of the project involved for consultancies valued in excess of $100,000;
- workforce data for the previous reporting period;
- a summary of significant changes in financial position; and
- a summary of environmental performance.

19.4.3 Independent Officers of Parliament annual reports

Ombudsman Victoria

The Report of Operations is structured into four chapters based on the types of reviews which the Ombudsman undertook during the course of the year. Each chapter of the Report of Operations includes a number of real case study examples of complaints received by the Ombudsman during the year and the outcome of the Ombudsman's investigations.

The output performance information is included in a separate 'statistics' chapter in the annual report. The chapter provides good, clear and succinct explanations of variances in performance measures to assist with their interpretation. Further, the statistics chapter in the annual report includes numerous other non-output performance statistical information.

The Committee considers that there is scope for improved reporting against FRD 22B (Standard Disclosures in the Report of Operations), in particular the inclusion of:

- a summary of financial results for the preceding four reporting periods and a summary of significant changes in the financial position; and
- performance indicators adopted to monitor Occupational Health and Safety matters and the agency's performance against any such indicators.

Electoral Commissioner

The Electoral Commissioner's annual report presents as an example of integrated financial and performance reporting. Each main area covered in the annual report presents an initial one-page overview. Each overview includes opportunities, objectives, highlights and the outlook for 2009-10.

The front of the annual report presents a snapshot section which presents five years of performance data against key indicators, together with a series of summarised highlights under key areas covered in detail throughout the report.

The Committee considers that there is scope for improved reporting against FRD 22B (Standard Disclosures in the Report of Operations). In particular, the inclusion of the name of consultants engaged for disclosure of consultancies over $100,000.

APPENDIX 1: DEPARTMENTAL RESPONSES TO THE FEBRUARY 2009 BUSHFIRES

1. Department of Sustainability and Environment

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
1.1	Bushfire Emergency Stabilisation Works	5.6	5.8	Immediate stabilisation works to remove risks to life, property and the environment, such as dangerous trees and potential erosion.
1.2	**Description of outcomes achieved in 2008-09:** • Urgent recovery work to protect threatened species and reseed of burnt forests has been undertaken in State forests and National Parks in the Kilmore-Murrindindi, Bunyip and Dargo areas. • Stabilisation of public land damaged during bushfire and fire suppression activities has been completed. • Rehabilitation of private land damaged during fire suppression activities has been completed by CFA and the Department including over 1600kms of fire control line rehabilitation and a further 1500kms of control lines on public land. • Repair work by Catchment Management Authorities along waterways and catchments to reduce ash and sediment reaching waterways has been undertaken. • More than 200 properties have participated in the Stream Frontage Management Program, which is working with private landholders to rehabilitate 150km of bushfire-affected waterway frontages. • Financial assistance has been provided to wildlife shelters, veterinarians and wildlife carers – including the Healesville Sanctuary's Australian Wildlife Health Centre – to treat and rehabilitate injured wildlife. • Park rangers have been assisted by 3 Green Corp volunteer crews with environmental rehabilitation at Kinglake National Park, Bunyip State Park and Foster in West Gippsland.			
1.3	Bushfire Impact Research	0.5	0.3	This project represents the largest ever collection and analysis of data undertaken in the aftermath of an Australian bushfire disaster.
1.4	**Description of outcomes achieved in 2008-09:** • The Final Report was received in October 2009. Some additional work on the integrative studies analysis has been requested. • This was a joint project between DSE, CFA, OESC and DOJ with a total value of $1.5 million. The Department's contribution was $.3m. • The Bushfire Research Cooperative Research Centre Ltd was engaged to undertake research in response to the Victorian bushfires on 7 February 2009. • This research was intended to provide information on fire behaviour, human behaviour and community safety issues, building and land use and integrative studies of the interactions between these topics.			
1.5	Bushfire Preparedness	10.0	8.2	Mosaic burns promote ecological balance by breaking up age classes of vegetation and retaining more habitats across a broad area and remove flammable forest fuels.

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
1.6	**Description of outcomes achieved in 2008-09:** • During 2008-2009, DSE and PV established a landscape Mosaic Burn Project. Planning procedures were developed, and several burns commenced during Autumn 2009. • An increased number of Landscape Mosaic Burns is being planned for commencement during the 2009-10 burning season. • An important aspect of this project is the establishment of a monitoring and assessment component for these burns. Monitoring tools have been developed for assessment of burn coverage and intensity, and measurement of key flora and fauna components. • Public consultation on the Fire Operations Plan has finished. Twelve State Priority Landscape Mosaic Burns were identified in the approved Fire Operations Plan. A draft LMB program reporting system is currently being trialled.			
1.7	Fire Suppression	338.1	318.7	Suppression of bushfire on public land.
1.8	**Description of outcomes achieved in 2008-09:** • Throughout the season, 825 bushfires occurred across public land in Victoria. The area burnt was approximately 437,000 hectares, which is two and a half times the 30 year average. The number of fires across the state peaked at 169 on 9 February 2009 with 90 fires still burning in mid March. • Approximately 3,460 DSE and Networked Emergency Organisation (NEO) staff worked in fire roles this season. This included 680 Project Fire Fighters (PFFs) at the peak of the season. Additional assistance came from approximately 3,400 interstate and overseas staff with a range of skills and experience. In the peak of the season, 57 aircraft were used for fire fighting, including 34 from the state fleet and an additional 23 aircraft that were brought in to respond to the extreme fire danger forecasts.			

1.9 The Department is responsible under the Victorian Emergency Management Arrangements for fire management on public land including National Parks, State Parks and forests. This involves the management of both bushfire and the use of fire to meet land management goals and objectives. In an average bushfire season the Department responds to 652 bushfires and coordinates the recovery and rehabilitation of these areas once the bushfires have been suppressed. The Department's long standing role continues to be reducing the threat and impact of bushfires and as a result, it has in place a number of policies and procedures to manage the response effort required in times of bushfire.

1.10 During the 2008-09 bushfire season, the Department, in conjunction with its Networked Emergency Organisation (NEO) Partners which include Parks Victoria, DPI, DPCD, VicForests and Melbourne Water, provided approximately 3,460 people to work on fire roles. The 2008-09 fire season saw a 27 per cent increase in the number of fires to 825 compared with an average season and saw 437,000 hectares of area burnt which is more than two and a half times the average area burnt. The Department's core approach to the bushfires was not altered during 2008-09; however the sheer size of the response required to manage the unprecedented nature of the fires altered.

1.11 There are a number of internal and external reporting requirements which the Department adheres to in order to ensure that any supplementary funding received is correctly utilised and reported. During the 2008-09 bushfire season the Department spent an additional $332 million on the bushfire response.

1.12 The Department is committed to the ongoing recovery to bushfire affected areas. Recovery of natural environment and public land includes regeneration of vegetation, protection of threatened species, protection of water quality and supply, cultural heritage, and built assets on public land. The Department coordinates and directly delivers this recovery function in conjunction with its statutory authorities e.g. Parks Victoria, Water Corporations, and Catchment Management Authorities.

1.13 After the 2008-09 bushfires, the Department established a Rehabilitation and Recovery Team within the Land and Fire Management Division. This team has worked closely with the Victorian Bushfire Reconstruction and Recovery Authority (VBRRA) to develop, plan and fund necessary recovery works. Progress reports are also provided at a monthly Project Control Board meeting which comprises of senior management from across the Department and statutory authorities. The Division also reports on a monthly basis to VBRRA. As part of its ongoing recovery role, the Department is also committed to keeping those bushfire affected areas with up to date information on the progress of recovery. This is done via the 'Regrowth' newsletter and via articles in both national and local newspapers.

2. Department of Human Services

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
2.1	Case Management	15.1	15.1	To provide a level of support necessary to enable individuals to regain control of their lives and function independently.
2.2	**Description of outcomes achieved in 2008-09:** Provision of an individualised case management service to all Victorians directly impacted by the Feb-March 2009 bushfires.			
2.3	Grants to Individuals and Housing Support	19.7	19.6	To provide a level of financial support necessary to enable individuals to regain control of their lives to function independently and gain access to temporary accommodation.
2.4	**Description of outcomes achieved in 2008-09:** Provision of financial assistance to people impacted upon by the 2009 Victorian bushfires.			
2.5	Health and Wellbeing	7.6	11.0	To provide emergency health and medical services, including counselling, for example, burns units and ambulances, to support individuals recovering (physically/psychologically) and regaining control of their lives.
2.6	**Description of outcomes achieved in 2008-09:** Provision of health and medical services (including counselling) for individuals affected by the 2009 Victorian bushfires.			

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
2.7	State Coordination and Regional Response and Recovery	6.5	6.6	Effective coordination of State and Regional Recovery arrangements.
2.8	**Description of outcomes achieved in 2008-09:** Capacity increased to enable response to the 2009 bushfire emergency.			

2.9 A Bushfire Psychosocial Recovery team was established to coordinate mental health initiatives.

2.10 Activities where incurred costs are in excess of normally budgeted levels include:

- Coordinated State Recovery for worst natural disaster in Australia's history
- Redeployed over 500 staff typically from already stretched areas of the organisation
- Grants administration – at its peak more than 300 staff were employed to assess and process applications

2.11 Within days of the bushfires, established new services to deal with the unprecedented scale of the event that were outside the Department's emergency management scope:

- Victorian Bushfire Case Management Service (VBCMS)
  - The VBCMS referrals far exceeded expectations. The service had 361 EFT case managers supporting 4,957 families, with new cases still presenting.

2.12 *Community Service Hubs:*

- Ten Hubs were established in fire affected areas to reconnect and support communities by providing face to face support and outreach in the long term.
- The Hubs have staff appointed are building strong relationships with their communities. Up to 700 fire-affected people were visiting the Hubs for a variety of reasons at the end of June.
- The Hubs are pivotal in the provision of a site for service delivery by all parties and both Hubs and VBCMS are important sources of information.

2.13 *Temporary Housing:*

- The government offered accommodation support for people who lost their homes. Many people found their own accommodation solution through private purchase or rental, or with family and friends.
- A number of people sought assistance through the DHS temporary accommodation offer. Of the 1500 people DHS has assessed for housing need, a third have been housed by DHS in a variety of accommodations (including public housing, community housing, caravans and movable units), a third have arranged their own private rental and a third are living with family and friends.

2.14 *Community Development Program:*

- Funding was provided to Councils to employ 17.5 FTE Community Development Officers. Regions have negotiated Memoranda of Understanding with Councils and the Unit is providing state-wide training and support:

  – Field Primary Care Officers to provide basic medical services to affected communities.

2.15 *New psycho-social support model:*

- Supported and led operations in community relief and recovery centres, incident control centres and Municipal and regional emergency coordination roles.
- Provided over 10,000 grants to affected individuals and communities.
- Reduced public health risks.
- Established the Joint Logistics Group to manage the overwhelming offers of assistance received.
- Established the administration and coordination of the Victorian Bushfire Appeal Fund – DHS staffed the Victorian Bushfire Appeal Fund Secretariat and Call centre.

2.16 *Health and medical, including ambulance expenses:*

- Establishment of the Bushfire Recovery Service Unit (BRSU) – the DHS Secretary established the BRSU to enable a consistent approach across fire affected communities and to give capacity to Regions to resume their normal functions and responsibilities as much as possible. BRSU are coordinating the provision of human services in the recovery effort, including Victorian Bushfire Case Management Service, Psychosocial Recovery, Housing, Community Service Hubs and the Community Development Program.

3. Department of Premier and Cabinet

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
3.1	Bushfire Memorial Service	0.7	0.6	A National Day of Mourning was held in Melbourne on Sunday, 22 February 2009 to honour the victims of Victoria's bushfires and to recognise the efforts of emergency service workers.
3.2	**Description of outcomes achieved in 2008-09:** • As per "Planned Outcomes".			
3.3	Victorian Bushfire Reconstruction and Recovery Authority (VBRRA)	71.7	71.7	• Clean up and demolition program • Distribution of Donated Goods • Housing and Temporary Villages • VBRRA Administration
3.4	**Description of outcomes achieved in 2008-09:** • About 3,000 bushfire-affected properties registered for the clean-up with approximately 95 per cent of these completed by 30 June 2009. • 223 property owners who cleared their own properties reimbursed. • 21,000 pallets of donated goods received and being distributed. • 142 households established/being established in temporary villages in Marysville, Kinglake and Flowerdale. • The Community Engagement team within VBRRA has played a significant role in consulting with communities through meetings forums and workshops. • 30 Community Recovery Committees supported. • Employment of Regional Community Engagement Coordinators.			
3.5	Housing and Temporary Villages (Asset Funding)	2.8	1.6	• To provide housing for those who lost or needed to leave their homes. Temporary villages are being established in Marysville, Flowerdale and Kinglake. • Output and capital funding is being used for the installation of relocation units and caravans on cleared blocks, and the re-establishment of power and village amenities.
3.6	**Description of outcomes achieved in 2008-09:** • One/two bedroom units established/being established to cater for 50 families and 40 singles in each village. • Each village has shared amenities, public toilets, shower blocks, laundries and communal kitchen facilities for use by village residents and the local community.			

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
3.7	Community Recovery Fund	10.0	0	The State and Commonwealth Governments jointly established a $10 million Community Recovery Fund to restore social networks, community functioning and community facilities. Expenditure will be aimed at community recovery, community development and community capacity building for the future.
3.8	**Description of outcomes achieved in 2008-09:** Whilst this funding was initially allocated to DPC (Victorian Government contribution of $5M) it was subsequently not appropriated to DPC as the initiative was to be administered by DPCD.			
3.9	Victorian Bushfire Appeal Donation	2.0	2.0	On 08 February 2009, the Victorian Government announced that it would provide $2m to the Red Cross Bushfire Appeal Fund to assist with the recovery process for those affected.
3.10	**Description of outcomes achieved in 2008-09:** As per “Planned Outcomes”.			
3.11	Victorian Bushfire Royal Commission	15.0	7.6	A Royal Commission into Victoria’s 2009 bushfires was established by the Government to investigate the causes and responses to the bushfires and to make recommendations on bushfire prevention, response policy and practices. The Government approved $40 million for the establishment and operation of the Royal Commission. The final report of the Commission is due by 31 July, 2010. The 2009 Victorian Bushfires Royal Commission was established on 16 February 2009. The Royal Commission was to provide an interim report by August 2009 and this timeline was met.

Processes that VBRRA has employed to meet its Terms of Reference and oversee the bushfire response (in addition to those outlined above) include the following:

3.12 Working very closely with the Victorian Bushfire Appeal Fund, to guide and provide advice on the allocation of funding to bushfire-affected people, and administering the $1 million Community Winter Events Payments, for local communities to hold events over the winter months;

3.13 Regional Community Engagement Coordinators have been employed by VBRRA to provide support to communities at the local level;

3.14 Managing an unprecedented volume of high value donations by corporate donors by establishing a database to match goods and services to individuals and communities to ensure equitable and efficient distribution. Over 3,000 donations were made, valued at over $10 million;

3.15 Establishing an interagency taskforce, and an expert reference group, to provide advice and work with VBRRA on arising issues. These groups comprise of industry bodies, community organisations, Members of Parliament and Victorian and Commonwealth Government officials;

3.16 Meeting with insurance companies and peak industry bodies to negotiate insurance issues faced by those affected by the bushfires; and

3.17 Working with local councils to find a solution to the disposal of bushfire waste and maintain drinking and waste water services.

4. Department of Justice

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
4.1	Coronial Hearings and Victim Identification Services	6.5	3.092	To identify the remains of disaster victims in a timely manner for the release of the remains to families. During 2009-10, the Coroners Court of Victoria continues to liaise and support the Victorian Bushfire Recovery and Reconstruction Authority (VBRRA) and the 2009 Victorian Bushfires Royal Commission (VBRC).

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
4.2	**Description of outcomes achieved in 2008-09:** **Victorian Institute for Forensic Medicine (VIFM)** • Provided examination of victims remains; • Provided victims' identification procedure for preparation of final identification reports for the Coroner chairing the Identification Board; and • Provided 297 pathology, 144 odontology, 67 DNA and 100 anthropology reports for consideration by the State Coroner's Office. **State Coroner's Office (SCO)** • Enabled identification of 173 victims within a period of three months; • Held nine community information sessions on disaster victim identification procedures to inform and update affected communities on the disaster victim identification procedures; • Attended seven community meetings convened by VBRRA to assist with the establishment of support groups for the bereaved; • provided administrative support to the VBRRA and VBRC to facilitate their contact with bereaved families; • provided grief counselling services to bushfire victims; • Briefed and organised counsellors sourced from the Victims Support Agency attending victim identification interviews with the Victoria Police ante mortem teams; and • Maintained manually unidentified victim files updated with information from grieving families, police and other forensic identification intelligence. Expenditure was less than was originally allocated by the Treasurer's Advance, as the identification process was completed faster than anticipated due in part to the resources provided by pathologists from other jurisdictions.			
4.3	Counselling Services	0.9	0.441	Victims Support Agency (VSA) to provide grief counselling services both in the field and as part of the Coroner's court counselling team. To provide an additional 13.2 positions over a nine month period to support financial counselling services to communities affected by bushfires.

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
4.4	**Description of outcomes achieved in 2008-09:** **Grief Counselling** • 42 Staff supported 53 Victoria Police DVI teams daily in bushfire affected regions for 4 weeks in February/March; • 2 staff seconded to Coroners court counselling team; • 1 staff member seconded to Royal Commission to support set up; • Coroners Court Helpline established and diverted into VSA Helpline in February to support Coroners staff; • DHS case Management service established and coordinating committee set up (VSA rep); • DHS Case Management Helpdesk established and offered Helpline option (for criminal justice issues, coroners matters); and • Follow up support offered to families of deceased/missing in April (over 200 persons interviewed by police/VSA staff). **Financial Counselling** • Recruitment and training of new financial counsellors to meet increased demand of service providers; • Financial and Consumer Rights Council (FCRC) compiled an information kit for financial counsellors and for Department of Human Services (DHS) caseworkers to use when working with clients; and • Agencies commenced financial counselling on an outreach basis through the recovery centres in coordination with DHS caseworkers.			
4.5	CFA – funding for operations positions	6.0	6.0*	An additional 25 Operations Officers (* Gross price)
4.6	**Description of outcomes achieved in 2008-09:** • 25 operations officers recruited. • The additional officers used to support volunteers across CFA brigades.			
4.7	Police Emergency Services	24.4	17.706	To enable Victoria Police to support the communities affected by the fires in a substantial and effective manner.
4.8	**Description of outcomes achieved in 2008-09:** • Police response activities including overtime, recall, additional rostering, operational equipment (DNA kits, hire vehicles, etc) and Operation Phoenix site accommodation. • Further, Victoria Police absorbed costs associated with airfares and accommodation for Federal and inter jurisdictional police (New South Wales and South Australia) who assisted with a range of emergency activities including manning road blocks and securing hazardous sites.			
4.9	Volunteer Recruitment and Recognition	3.9	0.443	To provide a comprehensive campaign to thank the past and ongoing efforts of Victoria's volunteers

Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
4.10 **Description of outcomes achieved in 2008-09:** • Start-up of development of the "Vital. Valued. Victorians." campaign for delivery on TV, radio, print and online, including: ▪ Research to set direction for the campaign ▪ Establishment of a working group ▪ Resourcing to support the campaign			

Note: Expenditure for bushfire recovery in the 2008-09 period was provided by a Treasurer's Advance. The funding provided line represents the department's estimate of what that particular function was going to cost, while the expenditure incurred reflects what the department actually incurred carrying out the described tasks. The estimates were completed very shortly after the 7th February bushfire and reflected expectations at that point in time

4.11 From a financial management perspective, a sole identifying financial code was established and communicated to all business units in the Department of Justice financial system to use when charging costs associated with the bushfire response. This enabled the department to track those additional costs associated with the bushfire response and assist in substantiating the additional costs to central agencies when seeking supplementary funding.

4.12 A coordination unit was established in the department for full-time management of Royal Commission activities and requests, monitoring of recovery activities and streamlining regular status reporting to cabinet and weekly State Coordination and Management Council bushfires sub-committee meetings.

4.13 The department's Secretary is chairing the weekly State Coordination and Management Council bushfires sub-committee meetings attended by government agencies and emergency services organisations. This sub-committee was formed with a view to providing a full implementation plan in response to the recommendations of the Royal Commission.

5. Department of Treasury and Finance

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
5.1	Bushfire Funeral Expenses	3.00	1.20	The State Government is contributing for funeral expenses to ensure that all those who perished in the bushfire can be given an appropriate burial.
5.2	**Description of outcomes achieved in 2008-09:** The State Government has contributed for funeral expenses to ensure that all those who perished in the bushfire can be given an appropriate burial.			
5.3	Business Assistance Package	10.00	10.00	The Business Assistance Package is delivered jointly by the Department of Treasury and Finance and the Department of Innovation, Industry and Regional Development, provides grants up to $25,000 to farm and non-farm businesses, and the cost of subsidising interest payments on a concessional loan scheme for small business and primary producers. Access to free, independent business advice is also provided, to assist in responding to the impact of the bushfires on their business.
5.4	**Description of outcomes achieved in 2008-09:** The State Government has contributed $10.00m to the Business Assistance Package for Bushfires.			
5.5	Natural Disaster Relief Arrangements	16.00	4.60	To support local councils to recover and rebuild communities, funding has been provided to meet eligible costs including the establishment of Municipal Emergency Coordination Centres, Relief Centres and repair and restoration of council infrastructure.
5.6	**Description of outcomes achieved in 2008-09:** The State Government has contributed $1.36m to the Community Recovery Fund - Bushfires, $2.14m for Personal Hardship and Distress and $1.09m for other claims. It should be noted that bushfire claims covering emergency protection and asset restoration works have been approved during 2009-10 offsetting the remaining balance of $11.4m.			

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
5.7	VicForests Salvage Harvesting	4.00	1.46	Funding is being provided to VicForests to commence salvage operations in the burnt and damaged central highlands forest estate. Works include assessing the damage salvaging stock and replanting.
5.8	**Description of outcomes achieved in 2008-09:** VicForests has concentrated its initial salvage operations on exceptionally higher quality coupes which has resulted in harvest and haul cost efficiencies when compared to budget. Conversely, total indirect costs were greater than budget. This was driven primarily by roading and log storage, which exceeded plan as a result of the additional work undertaken in May and June following favourable weather conditions.			

5.9 Bushfire Funeral Expenses: The Department and the Transport Accident Commission had a Memorandum of Understanding for the funding and administration for funeral expenses.

5.10 Business Assistance Package: The claims received by The Department are independently assessed by the Rural Finance Corporation.

5.11 Natural Disaster Relief Arrangements: The claims received by the Department are independently assessed by VicRoads and the Office of Emergency Services Commissioner in accordance with prescribed guidelines.

5.12 VicForests Salvage Harvesting: VicForests is to provide the Department of Treasury and Finance with a quarterly report that:

- captures the past quarter and year to date salvage performance and expenditure against plan;
- provide forecast of the upcoming quarterly activity and financial implications of salvage; and
- measure the program against projected benefits.

5.13 VicForests will also provide annual independently audited accounts to the Department attesting its performance under the salvage program.

6. Department of Primary Industries

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
6.1	Animal Welfare and Emergency Fodder	4.0	4.0	• Victorian Farmers Federation (VFF) Coordinators engaged for donated fodder distribution. Transport costs for delivery of bulk supplies paid via VFF. • Rural properties (with livestock) visited to verify animal welfare. • Loss and damage assessment completed on rural properties.
6.2	**Description of outcomes achieved in 2008-09:** • Coordinators engaged and fodder distribution undertaken for 4 weeks after fire. • Animal welfare assessments completed within 2 weeks of fires. • Loss and damage assessment on almost 5000 properties completed by end of March 2009			
6.3	Bushfire Suppression and Recovery	5.9	3.9	• DPI provided support to DSE in fire suppression. • Bushfire Program Manager for Priority response. • Rural Financial Counsellors provide advice to fire victims. • Field Days, media coverage and farm walks for small landholders. • Community Recovery Committees supported. • Bushfire recovery booklet and brochures published and promoted Replacement of damaged National Livestock Identification System (NLIS) tags. • Funding of insurance excess for crown boundary fencing.

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
6.4	**Description of outcomes achieved in 2008-09:** • More than 300 DPI staff were deployed to fire suppression during summer • Priority response manager seconded until end of September 2009 • Referrals made to financial counsellors – DPI or DHS case managers • More than 30 Field Days conducted throughout the fire affected areas • Community Liaison Officers deployed during the priority response • More than 4000 copies of recovery booklet distributed • Tags replaced on request • 132 claims paid to victims			
6.5	Soil Conservation Program	0.1	0.1	• DPI support for development of Stock Containment areas.
6.6	**Description of outcomes achieved in 2008-09:** • 141 stock containment areas approved for construction • Funding provided for on ground works through Catchment Management Authorities (CMAs)			
6.7	Support for Replacement of Fences by Volunteers	1.0	1.0	• VFF coordinators engaged to coordinate volunteers for fencing repairs. • Contractors employed and equipment hired to enable efficient use of volunteers in fencing repair program.
6.8	**Description of outcomes achieved in 2008-09:** • Coordination of volunteers continues to 4 December 2009 • Contractors engaged in all areas to support volunteer program			

6.9 The Executive Director of Farm Services Victoria has been responsible for the response and recovery activities undertaken by DPI. Staff from all Divisions across the Department were deployed to the initial response (until end of March 2009) and staff from Farm Services Victoria managed a priority response until end of September 2009.

6.10 As detailed in *Rebuilding Together – A Statewide Plan for Bushfire Reconstruction and Recovery*, launched in October 2009, additional funding has now been allocated from the Commonwealth Community Jobs Fund to undertake some longer term recovery projects. State funding has also been directed towards some medium to longer term requirements as part of this package.

7. Department of Transport

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
7.1	Public Transport Services	5.8	6.2	Metropolitan and regional infrastructure repairs: stations, bridges, tracks and signals. Provision of shuttle buses in bushfire-affected communities; re-routed bus and school bus services; and V/Line buses to replace some regional train services to enable travel as usual.
7.2	**Description of outcomes achieved in 2008-09:** All fire-damaged infrastructure was repaired, except Wandong Station, which is still under construction. Usual service on the Belgrave line resumed within 16 hours. Removal of infrastructure and vegetation including closed heritage rail locations. Bushfire-affected communities provided with alternative transport services whilst usual services were out of action; V/Line buses replaced usual train services during fires and reconstruction; and many school bus services were suspended or re-routed. Bushfire-affected citizens provided with free public transport to 31.10.09. Supported attendances for CBD memorial service and AFL NAB Cup Round 1 match.			
7.3	Road Repairs and Services	9.3	11.7	Reinstatement of pavements, roadside furniture and structures to pre-bushfire condition, removal of unsafe trees and debris.
7.4	**Description of outcomes achieved in 2008-09:** Repaired or replaced: • 400 kilometres of road affected by bushfires; • Over 35 kilometres of damaged guardrail; • 4,000 signs and 17,000 guideposts. Cleared approximately 16,000 trees in the worst-hit areas.			

DOT and VicRoads led and supported the restoration and recovery by the following:

7.5 Various heritage railway lines were disrupted and two sustained damage during the fires. Assessments were conducted to identify damaged trees and infrastructure with their subsequent removal.

7.6 DOT led a multi-agency team to fire-affected areas to assess the immediate impact on transport services. Assessments led to the establishment of a joint logistics model for provision of material aid to fire-affected areas.

7.7 DOT and DEECD worked to manage school bus services during an imminent or actual emergency with subsequent development of a protocol which can culminate in the cancellation of DOT-contracted school bus services in advance of Code Red (catastrophic) fire days.

7.8 VicRoads and DOT coordinated management of the bushfire response and recovery of transport through the Victorian Bushfire Response and Recovery Authority.

7.9 Aside from regular updates to the Minister and the VicRoads Corporate Management Group, VicRoads is also represented on the Victorian Bushfire Response and Recovery Authority. Updates are supplied to this body on VicRoads contribution to the implementation of the state wide plan.

7.10 As part of its normal role, the Department of Transport (DOT) performs emergency management duties. The processes by which DOT and public transport operators manage this include:

- the activation of DOT's Incident Room to coordinate response activities, including that for transport operations and to collate information for whole-of-portfolio reporting to government .
- the requirement for public transport operators to have their own Fire Disaster Recovery Plan.

8. Department of Education and Early Childhood Development

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
8.1	Kindergarten Services and Clean-Up	0.6	0.6	The outcomes planned for kindergartens were primarily: assistance for affected incomes; extension of fee subsidy; clean-up of affected buildings; activity program, and enhanced Maternal and Child Health capacity.
8.2	**Description of outcomes achieved in 2008-09:** The outcomes achieved were in accordance with the plan, including; • assistance for kindergartens affected incomes • extension of kindergarten fee subsidy • clean-up of 27 affected kindergartens • activity program • enhanced Maternal and Child Health capacity.			
8.3	Student Wellbeing and Support	2.5	2.5	Debriefing sessions for psychologists and social workers; holiday programs; resources to support affected teachers, parents and carers; Student Support Services Officers (SSSOs); and teaching, welfare and teacher aide support.

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
8.4	**Description of outcomes achieved in 2008-09:** • There was SSSO support and assistance provided to bushfire affected school and early childhood communities including: • debriefing sessions for psychologists and social workers in Northern, Eastern, Hume, Gippsland and Southern regions • holiday programs during the term break, with 497 students participating • development and distribution of resources to support teachers working with bushfire affected students • development and distribution of resources to assist affected parents and carers to support their children during the school holidays • contracted 10 SSSOs to support Bushfire Case Managers Service, managed by DHS • provided additional teaching, welfare and teacher aide support to bushfire affected schools • appointed a Manager, Bushfire Psychosocial Response and Recovery who worked closely with regional offices to coordinate psychosocial support for children, young people and families in bushfire affected areas.			
8.5	Support to schools	1.7	2.0	Funding dual enrolled students in bushfire affected schools; secondments to Victorian bushfire relief organisations; IT equipment to relief centres; extra buses; specific communications with stakeholders, public and staff; teacher relief costs; and regional sessions.
8.6	**Description of outcomes achieved in 2008-09:** The outcomes achieved were in accordance with the plan, including; • funding dual enrolled students in 15 bushfire affected schools • providing IT equipment to 13 relief centres • providing extra buses, and buses that needed to be redirected due to bushfires • specific communications with stakeholders, public and staff; teacher relief costs; and regional sessions.			

Following the devastating Victorian bushfires in February 2009, the Department Secretary established a governance structure to coordinate and effectively manage the response to the needs of fire-affected communities:

8.7 A cross-departmental team – Department Bushfire Recovery Co-ordination Group – was established to manage the immediate response and recovery challenges of the emergency including the provision of temporary school facilities, fee subsidy for children's services, deployment of additional support staff and IT enabled communications

8.8 A Department Bushfire Reconstruction Taskforce was also established to develop a consultation and engagement process for the reconstruction of schools and early childhood facilities destroyed in the bushfires in the Northern Metropolitan and Hume Regions.

8.9 School Community Reference Teams (SCRT) were established and authorised to canvas the views of the broader community around early childhood and education provision and rebuild options, for the reconstruction of Strathewen, Marysville and Middle Kinglake primary schools, kindergartens and early childhood facilities, and Flowerdale kindergarten and early childhood facilities, including liaison with the reconstruction process of Victorian Bushfire Reconstruction and Recovery (VBRRA).

8.10 More recently a DEECD Bushfire Management Steering Committee has been established to oversee three broad streams of activity including the reconstruction effort, psychosocial service provision and preparations for the bushfire season that forms part of the cross-Government effort in bushfire affected communities.

9. Department of Innovation, Industry and Regional Development

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
9.1	Business Assistance Package (BP3)	0.4	0.06	Information and support for small business, to continue in 2009-10.
9.2	**Description of outcomes achieved in 2008-09:** • Information and support for Small Business • Staffing of relief and recovery centres			
9.3	Improving information to regional areas	0.2		Increased access to information for small businesses
9.4	**Description of outcomes achieved in 2008-09:** • Significant additional resources were provided to ensure businesses had immediate access to information.			
9.5	Support for Regional Redevelopment (BP3)	1.2	0.24	Support for communities impacted by bushfires to continue in 2009-10
9.6	**Description of outcomes achieved in 2008-09:** • Coordination of Bushfire Business Roundtables • Support for the Wine Industry • Murrindindi Business Recovery Officer • Support to Victorian Bushfire Reconstruction and Recovery Agency (VBRRA)			
9.7	Tourism Bushfire Recovery Package (BP3)	2.0		Provides for targeted marketing campaigns, visitor facilitates and to bring forward cancelled events.

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
9.8	**Description of outcomes achieved in 2008-09:** Implementation continues until June 2011			
9.9	Bushfire Community Events program	0.202	0.152	Support events in communities impacted by the bushfires to continue in 2009-10
9.10	**Description of outcomes achieved in 2008-09:** • Supported events in communities impacted by the bushfires • Memorial Services			
9.11	Assistance to bush-fire affected businesses and farms.			Delivered by Rural Finance Corporation
9.12	Sponsorship of the Traralgon bushfire recovery concert			Included in Bushfire Community Events program
9.13	Sponsorship of the 'Bendigo Says Thanks' concert			Included in Bushfire Community Events
9.14	Multi-purpose facility at Kinglake West memorial reserve	$0	$0	Announced in 2008/09: funding commences in 2009-10
9.15	**Description of outcomes achieved in 2008-09:** Announced in 2008/09: funding commences in 2009/10			
9.16	RDV/Bendigo Bank Bushfire Recovery Infrastructure Program	$0	$0	Announced in 2008/09: $4.0m funding commences in 2009-10
9.17	**Description of outcomes achieved in 2008-09:** Announced in 2008-09: $4.0 million funding commences in 2009-10			
9.18	Yarra Glen's Monthly Farmers market			Included in Bushfire Community Events program
9.19	Coordination of Bushfire Business Roundtables.			Included in Bushfire Community Events program
9.20	VECCI Business Support Fund	$0	$0	Announced in 2008/09: $0.5m funding commences in 2009-10
9.21	**Description of outcomes achieved in 2008-09:** Announced in 2008-09: $0.5 million funding commences in 2009-10			

9.22 The Department worked closely with the Commonwealth Government and other Victorian Government agencies to develop the Victorian Government's initial package of assistance for communities directly affected by the bushfires. The Department administered the contract for the cleanup and disposal of bushfire waste; contributed to the organisation of the national Day of Mourning and provided direct assistance to communities and businesses. Information Victoria activated its rapid response plan providing up-to-date, comprehensive bushfire-related links and information via the Victoria Online website and the Information Victoria call centre.

10. Department of Planning and Community Development

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
10.1	Bushfire Memorial Service	0.4	0.4	Provide opportunities and transport for people directly affected by the bushfires to attend memorial events hosted in their local community or the Memorial Service held at Rod Laver Arena, Melbourne.
10.2	**Description of outcomes achieved in 2008-09:** • Fourteen community events held across the State in bushfire affected communities. • Communities provided with transport to attend either local or the Melbourne Memorial Service. • Funding for morning teas and BBQs provided for local events.			
10.3	Community Building and Neighbourhood Houses	0.9	0.9	Provide additional recovery support to local governments and communities affected by the bushfires, and extra activities provided through Neighbourhood Houses as pivotal points for re-establishing community networks.
10.4	**Description of outcomes achieved in 2008-09:** • Nineteen local councils, including eight Community Building Initiative (CBI) projects received grants of $30,000. • Employment of community recovery officers to support local people and help development of local solutions to recovery. • Extension of working hours for CBI facilitators to provide recovery support in CBI bushfire affected communities. • Community strengthening activities centred on Neighbourhood Houses, including community gardening days, assembling emergency relief packs, singing groups, community BBQs and counselling sessions.			
10.5	Grants to volunteers	1.7	1.324[(a)]	Enhanced strategic coordination of local volunteering activities in 10 fire-affected LGAs, to support longer term community recovery and enhance preparedness for future emergencies.
10.6	**Description of outcomes achieved in 2008-09:** • 104 grants to local government and community organisations. • Staging of local bushfire volunteer thank-you events. • Reimbursement of out-of-pocket expenses for bushfire volunteers. • Provision of training, counselling and personal support for bushfire volunteers. • Recruitment of 10 Local Government Volunteer Coordinators.			

	Initiative	2008-09 funding provided in the 2009-10 Budget ($ million)	Expenditure incurred in 2008-09 ($ million)	Planned outcomes
10.7	Bushfire Building Standards	1.0	1.01	Communication of public information relevant to building issues arising as a result of the bushfires. Development and implementation of new bushfire building standards to ensure that residents rebuild to a higher standard of protection. Facilitation of the bushfire rebuild through information, education and volunteer programs.

10.8 **Description of outcomes achieved in 2008-09:**

All outcomes were achieved and the objectives of the Building Commission's response to the bushfires were met.

Outcomes included:

- Information booklets and brochures were distributed.
- Public information seminars were conducted.
- Bushfire Building Advice Information Line was established.
- Bushfire Community Hubs were established.
- Building and Plumbing Industry Volunteer database was developed.
- Strategic communications advice was provided.

Note:

(a) The $1.7m funding budget was an upper estimate only, established on the basis of the expected number of grant applications which may be received. The amount expended was reprioritised from other grants programs (Victorian Volunteer Small Grants 2008-11 and the Emergency Volunteer Support Grants), and was expended according to applications received. Of the original estimated budget, the actual expenditure for grants requested from the community came to $1.324m for 2008-09 and an additional $0.164k was spent in 2009-10.

10.9 DPCD was engaged in the immediate aftermath of the February 2009 bushfires, taking a lead role in the coordination of three streams of donations, including offers of volunteer assistance, financial support and material goods with a specific responsibility for corporate donations. This was coordinated via the establishment of a team of staff to receive donations and offers via phone and email, and to coordinate the complex task of recording and matching the donations with requests for assistance from the bushfire affected communities.

10.10 DPCD led a team of representatives from agencies including Victoria Police, the Country Fire Authority and State Emergency Service, as well as other Victorian government departments and agencies including the Department of Human Services and the Essential Services Commission to establish a coordinated response to ensure effective logistical management of the storage, transport and distribution of much-needed goods and services to meet immediate community needs. Of critical importance was the registration of offers and provision of feedback to donors, and the development of appropriate donor recognition processes.

10.11 A key role was played by DPCD in taking responsibility for the management of initial communications with the newly established Victorian Bushfire Reconstruction and Recovery Authority (VBRRA). DPCD established communication systems to enable appropriately informed decisions about distribution of philanthropic grants with minimal duplication.

10.12 DPCD's regional teams have worked closely with communities affected by the bushfires, throughout the immediate response stages, the commencement of rebuilding activities, and as an ongoing support service. DPCD worked with the Building and Plumbing Commissions to link skilled built environment volunteers in the bushfire response projects.

10.13 Through the Bushfire Volunteer Hotline, DPCD coordinated the referral of over 12,000 people wanting to volunteer in the bushfire relief and recovery effort. Referrals were made to State Government agencies, local government and 15 major volunteering agencies including RSPCA, St Vincent de Paul, Anglicare Victoria, VicRelief Foodbank and Lifeline.

10.14 Subsequent to the above involvement, DPCD has led the implementation of the bushfire-related recovery initiatives highlighted in question (a) above, and assumed the secretariat role for the Community Recovery Fund (CRF) appropriated through the DPC 2008-09 budget.

10.15 The $10 million CRF was established in February 2009 by the Victorian and Australian Governments, with each level of government contributing $5 million.

10.16 To date, the following CRF allocations have been made:

- $1.75 million to local councils via the Department of Human Services for the employment of bushfire community development officers to work within councils and with communities in the delivery of recovery services, community development programs and the development of community recovery plans.
- $3 million to community sports clubs to help rebuild or replace facilities and equipment.
- $2.5 million to local councils in affected areas to support the creation of memorials and commemorative events.
- $2.75 million for community grants to support local projects and activities identified through the established community-led recovery and planning activities. The grants help in the regeneration of community spaces, the recording of bushfire history within communities, delivery of activities for young people, and provision of community information.

10.17 The CRF is administered through the Department's Community Investment Branch. Through ongoing cooperation with VBRRA and other stakeholders, investments through the CRF are coordinated with other funding available to strategically address local reconstruction and recovery needs that have been identified and prioritised through community recovery planning activity.

10.18 The CRF operates in line with the Natural Disaster Relief and Recovery Arrangements and is designed to assist in community recovery, aid community development and strengthen community capacity building for the future.

10.19 A Panel (comprising membership from the Commonwealth and State governments and the Municipal Association of Victoria) has been established to oversee the allocation of funding, with approval of allocations delegated to the Minister for Community Development.

APPENDIX 2: PORTFOLIO PROGRAM OUTCOMES

Introduction

The Committee gave departments and agencies the opportunity to outline the main five outcomes achieved in 2008-09 for each portfolio within their department. Departments were asked to quantify achievements wherever possible against planned outcomes/targets, particularly as outlined in the 2008-09 Budget Papers, and to link these outcomes to any of the major government strategies where applicable. A summary and evaluation of the responses is contained within Chapter 10 of this report. This appendix is simply a record of the responses received from departments.

1 Alfred (Bayside) Health

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 Improve safety and quality of clinical care	Improved the quality of clinical care by: • Implementation of respecting patient choices program; • Implementation of systems, knowledge and skills to proactively identify and manage the range of behavioural co-morbidities that occur in clinical presentations; • Evaluation of the effectiveness of current consent processes; • Evaluation of the interdisciplinary assessment and management tool at CH.	**Respecting patient choices program:** • Trial of facilitated Advanced Care Planning (ACP) sessions for consumers who are interested in completing an ACP as an out-patient; • Two research submissions to evaluate the uptake of ACP with this approach; • Established links with community organisations for education of community case managers. **Behavioural co-morbidities:** • Revised suite of guidelines for management of Post Traumatic Amnesia, Delirium, Drug and Alcohol issues, Aggression Prevention and Management and the use of physical restraint; • Established database of the use of patient attendants at The Alfred. **Consent processes:** The Patient informed consent audit was completed in February 2009 for SH and The Alfred and the results were: • 97% of patients remembered signing a consent form; • 100% of patients understood the indication for the procedure; • 90.6% of patients responded that a doctor had discussed any potential side effects and risks of the procedure with them. • 97.9% had enough time to ask the doctor questions about the procedure; • 90.9% were given enough verbal and / or written information about the procedure before signing the consent form;		Growing Victoria Together A Fairer Victoria

		• 87.5% were given enough time and support before signing the consent form. **Interdisciplinary assessment and management tool:** The assessment provides a common, interdisciplinary data source with reduction in duplication. 86% staff expressed satisfaction with the medical information and 75% with the nursing/allied health information. Fifteen separate forms have been withdrawn across the campus with the introduction of this system.		
	Minimised known risks through implementation of: • Medication safety strategy • Falls prevention strategy.	Medications risk rating down graded from Extreme to High. Fall rates remain stable January –June 2009 the rate of falls with serious injuries per 1,000 bed days is 0.04.		A Fairer Victoria
2 Improve capacity to meet demand for clinical care	Substituted suitable inpatient services with community/ ambulatory models of care including: • the Graduated Discharge program • Implement and evaluate the Mobile Assessment and Treatment Service (MATS) winter demand Management strategy	Evaluated the effectiveness of the Graduated Discharge Program and consolidated it within routine business. Outcomes include: • 30% increase in community rehabilitation activity; • inpatient rehabilitation length of stay reduced by 29%. For MATS: from July 2008 – end of May 2009, 1849 bed days were saved, 467 ED presentations were prevented and 100 early discharges facilitated.	Department of Health (formerly Department of Human Services).	Growing Victoria Together A Fairer Victoria
	Improved patient flow in the: • process of transfer between acute and subacute services. • Specialist Consulting clinics, • Emergency Departments, • two pilot inpatient wards at Alfred Health	**Acute to subacute** • Average time to discharge from acute ward was reduced by 3.8 hours; • 95 per cent of patients (n=60) in the pilot process departed acute system by 11am (27% pre pilot); • Potential for over 4,000 acute multiday bed hours to be realised over a 12 month period; • Report to DoH August 2009 identified project outcomes being sustained.	Department of Health (formerly Department of Human Services).	Growing Victoria Together A Fairer Victoria

		Specialist Consulting Clinics • Redesign of patient flow within the outpatient clinics • reduced median queue time from 14 min to 3 min for pre 9am period; and 2 mins to 9 secs for 9am–11am period • Redesigned referral management processes to achieve 100% of 'new' referrals registered and scanned within < 24 hours. Eliminated duplicate WIP referrals and 'missing' referrals. 100% referrals have complete patient and referrer information prior to being processed. 100% new referrals acknowledged within 3 days of receipt. **Sandringham Hospitals' Emergency Department** • Improved access performance for 07/08 against 06/07 in 4-hour, 8-hour; 24-hour and % did-not-wait indicators; in context of 12% increase in emergency presentations (n=3023), and 24% increase in emergency admissions (n=574); • 50% reduction in Q3 08/09 ambulance bypass performance. **The Alfred's Emergency Department** Focus of effort has been on identifying the high level processes, which influence 8 hour performance and will form the basis of the improvement program over the next 12 months: • Emergency and trauma centre response; • Speciality unit response time; • Bed Allocation. **Inpatient wards** This program of work is based on an agreed framework for inpatient ward redesign including: • Improving communication across the pilot wards by developing and implementing patient communication boards; • Confirming and making visible ward based measures to assist the multidisciplinary team to make decisions and identify improvement opportunities;		

		• Creating an environment that both supports the work of staff; and improves the patient experience, utilising 5S methodology. It is intended that these foundation modules inform and support further improvement work.		
	Implemented strategies to optimise aged care services at SDMH to improve quality of care and throughput	• Additional staff resource allocated at SH. • Aged care nurse consultant commenced in January. • Geriatrician Registrar commenced in February. • Allied Health Assistants [1.0EFT] appointed December to assist with prevention of functional decline. • Shared medical Audit results under analysis to explore additional opportunities to improve.		Growing Victoria Together A Fairer Victoria
	Implemented strategies to improve capacity to manage higher acuity and complexity patients.	Several strategies have been implemented including: • New model of patient flow introduced for cardiac surgery including stratified waiting list, dedicated number ICU beds and improved preadmission process; • Two additional ICU beds have been allocated by DHS (July 08 and Jan 09) bringing unit to 30 beds. 31st bed funded by DHS from July 2009; • MET team support for wards extended. Respiratory team • support for Non-invasive ventilation reviewed and expanded; • Realignment of wards on track. Expectation is that trauma (together with Neurosurgery and orthopaedics) will locate to the 2nd floor mid year with general medicine to the 4th floor subsequently; • Trigger tools for reportable limits to flag clinical deterioration introduced on the inpatient units at Caulfield; • Staff in Short Stay Observation (SSOU) at SH have undergone training in management of low-medium risk patients with chest pain; • Improved level of nursing staff on night duty at SH.		Growing Victoria Together A Fairer Victoria

	Developed and commenced implementation of strategies to maximise utilisation of available capacity across Alfred Health, with a particular focus on inter-hospital transfer between the Alfred and SDMH.	Barriers to transfer and actions to address them have been identified. Commenced implementation of improvements including: • rotation of ED registrars from Alfred to Sandringham in 2010; • increased acceptance of HDU patients from SH to The Alfred; • Identification of suitable patients for transfer from TA ED to SH SSOU; • A joint Alfred/SDMH review of the General medicine program completed; • General Surgery has amalgamated into a single program.		Growing Victoria Together A Fairer Victoria
3 Develop the academic profile of Alfred Health in partnership with appropriate Universities and other research and education institutions.	Commenced implementation of the Alfred Medical Research and Education Precinct (AMREP) Strategic Plan.	**AMREP Strategic Plan:** Good progress in targeted areas including: • Baker Institute and IDI merger; • Global health consortium under development, Monash University working with Burnet Institute and Baker IDI. Revising governance arrangements for The Centre for Health Innovations to provide opportunity to progress the health services innovation consortium.	Monash University Baker IDI Burnet Institute	Growing Victoria Together Melbourne 2030
	Progressed appointment to Director of Cancer, Professor Director of Radio-Oncology, Professor of Epidemiology and Professor Director Trauma positions	**Key appointments:** • Professor Director of Cancer – search underway • Director of Radio-Oncology – completed • Professor of Epidemiology – Completed • Professor Director Trauma positions - Completed		
4 Improve capacity to attract and retain the best workforce	Continued to implement improvements to ensure a safe and healthy workplace	**Manual Handling Risks:** Commenced implementation of the seven recommendations from the report produced by HR/ OHS in February 2008 (‘Management of MH risks within Bayside Health’).		Growing Victoria Together and A Fairer Victoria

		Four of the seven recommendations have been implemented (formation of the Committee; Engage an ergonomist; conduct risk assessments for hazardous tasks and install and evaluate an overhead hoist system in a ward setting). The remaining three recommendations are partially complete (refinement of OHS aspects of purchasing and facilities design; refine no-lift programs; and expand clinical manual handling programs beyond nursing). **Reduce Occupational Violence** Implemented a range of strategies to reduce occupational violence. These have resulted in a 15% reduction in Patient Attendant use compared to budget, slight reduction in code grey incidents.		
	Implemented nursing workforce plan	• Reduction in average vacancies from 10% in 07/08 to 5.8% in 08/09; • 36% reduction in agency costs		Growing Victoria Together and A Fairer Victoria
	Improved the performance management framework and process	The Performance management Policy has been revised to become the Performance Management and Development System. There are now new forms for performance management and development reviews. The training program has been significantly revised to encourage greater participation.		Growing Victoria Together and A Fairer Victoria
5 Continue to modernise our facilities to support delivery of contemporary cost effective models of health service delivery.	There has been a large capital and infrastructure program of work across Alfred Health.	These included: • Completed and commissioned the ICU redevelopment; • Completed the stage 3 Electrical Infrastructure upgrade works; • Alfred Centre stage 2 project on time and on budget; • Caulfield Hospital stage 2 project on time and on budget; • Pathology upgrade on time and on budget; • Upgraded ward 7East at The Alfred.	Department of Health	Melbourne 2030 Our Water, Our Future

2 Austin Health

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 In consultation with DHS complete the Austin Health Strategic Service Plan for the next 5-10 years	Plan approved by Austin Health Board and submitted to DHS	Board minutes note approval of Plan	Department of Human Services	Progresses: • Growing Victoria Together (a vision for Victoria to 2010) • Metropolitan Health Strategy.
2 Completion of the feasibility study and approved business case for development of a Mental Health Rehabilitation facility for submission to ERC	Feasibility study and business case submitted to ERC	Submission	Forensicare	Progresses: • A Fairer Victoria • Mental Health Reform Strategy, 2009
3 Review and develop new Strategic Plan 2009-2011	New Strategic Plan 2009-2012 approved by Austin Health Board	Board minutes note approval of Plan	Department of Health	Progresses: • A Vision for Victoria to 2010 and Beyond • Metropolitan Health Strategy
4 Meet DHS access and performance targets			N/A	Progresses: • A Vision for Victoria to 2010 and Beyond • Metropolitan Health Strategy
5 Meet statement of priorities financial targets			N/A	Progresses: • A Vision for Victoria to 2010 and Beyond • Metropolitan Health Strategy

3 Barwon Health

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 Transfer from ED to ward < 8 hours	Target 80% Achievement 70%			DoH and Government Targets
2 Non Admitted ED patient LOS < 4 hours	Target 80% Achievement 72%			DoH and Government Targets
3 Category 2 Elective patients waiting < 90 days	Target 80% Achieve 46%			DoH and Government Targets
4 Category 3 Elective patients waiting < than 365 days	Target 90% Achieve 79%			DoH and Government Targets
5 Number of patients on the elective waiting list	Target 1890 Achieve 2217			DoH and Government Targets

4 Barwon Region Water Corporation

Barwon Water is the major regional water corporation in Victoria servicing a population in excess of 270,000 people. Barwon Water's primary responsibilities are the provision of sustainable potable water and the disposal of sewage in a safe and environmentally friendly manner.

Barwon Water undertakes numerous programs to ensure the well being of its customers, the environment and employees are maintained, while also meeting the requirements of State Government and other regulatory stakeholders.

The *2008-09 Annual Report* provides a summary of programs and initiatives designed to meet and maintain key actions, key result areas and performance indicators. The following sections of the report provide the key components to Barwon Water's 2008-09 performance:

- Corporate Governance pg 30
- Financial Performance pg 46
- Customers & Community pg 92
- Operational Performance pg 56
- The Environment pg 76
- Our People pg 112

Barwon Water's position with regards to the State Government strategy, Our Water, Our Future is detailed in Barwon Water's Corporate Plan each year. An extract from the 2009-10 Corporate Plan [was] attached for [the Committee's] consideration.

5 City West Water Limited

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1	To exchange 22,800 showerheads in CWW's service area	27,828 showerheads exchanged. The exchange of showerheads is estimated to deliver water savings of 340 ML per annum.	See actual outcome	N/A	Our Water Our Future / Target 155
2	Unaccounted-for-water target of 9.2%	Actual unaccounted-for-water of 8.8%. This result represents the second lowest recorded result in CWW's history.	See actual outcome	N/A	Our Water Our Future
3	Central Region Sustainable Water Strategy target – per capita consumption water saving of 30% by 2015 from 1990's level.	Bulk water purchases of 93GL for the year represent a record low for the CWW. CWW's customers have reduced their per capita usage by 45% from 1990's level at June 2009.	See actual outcome	Melbourne Water, Yarra Valley Water and South East Water; the Department of Sustainability and Environment	Our Water Our Future / Target 155 / Support Target 155
4	The launch of the Technical Officer Development Program	The program was launched in February 2009 with the first intake of 13 cadets.	See actual outcome	Victoria University	N/A CWW business program
5	Zero net greenhouse gas emissions from operations	Our net greenhouse gas emissions result was 2,720.12 tonnes CO2-e meaning we achieved our target of net zero greenhouse gas emissions in line with the commitments made under our Sustainability Covenant with EPA Victoria.	See actual outcome	N/A	N/A CWW business target

6 Country Fire Authority

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 Reduce the impact of fires and emergencies in Victoria	Out of the 1,386 incidents to which CFA was dispatched on 7 February, nine became significant fires. The location of some incidents, influenced by the extreme conditions of the day, meant that 44 other incidents had significant potential to impact on communities.	Significant fires occurred at Upper Ferntree Gully, Harkaway and Lynbrook in heavily populated areas. The timely and efficient response of CFA brigades ensured that many fires were contained in the early stages of their development, which CFA regards as a notable achievement on a day of such extreme fire activity. In all some 414,921ha was burned and 2115 structures damaged. A number of potentially significant fires including those in Harkaway and Weerite were effectively managed avoiding loss of life despite the terrible conditions.	Department of Sustainability and Environment, Metropolitan Fire and Emergency Services Board, Victoria Police, Victorian State Emergency Services, Office of Emergency Services Commissioner and Department of Justice, Department of Human Services, Local governments	Growing Victoria Together – Building friendly, confident and safe communities
2 Build and Strengthen Self-Reliant, Resilient Communities	**FIRE READY VICTORIA (FRV)** Interactive community meetings are delivered for residents in high bushfire risk areas. Meetings may be held on street corners, or in local halls and fire stations and focus on basic bushfire behaviour, personal safety, house survival and recognition of local risk. Facilitated workshops may also be run in local communities to assist residents in developing a bushfire plan. Community Fireguard is a community program designed to develop self-reliant neighbourhood groups in high wildfire risk areas. The program aims to develop self-reliant community-based groups to design local strategies to manage fire risk and ultimately reduce losses from wildfire.	• CFA Areas establish annual targets for the interactive elements of the FRV program to treat identified risks. Areas aimed to deliver 795 interactive FRV meetings and exceeded their targets to deliver a total of 1,102 meetings to an audience of 69,224, an increase from 17,711 participants in the 2007–08 season. • Over the 2008–09 season 587 Community Fireguard meetings were held against a target of 603. CFA Areas had aimed to establish an extra 54 new groups. Significantly increased demand for the program after the February fires led to 132 new groups. Demand for the program remains high.	Department of Sustainability and Environment, Department of Justice, Local government, Office of Emergency Services Commissioner, Australasian Fire and Emergency Services Authorities Council	Growing Victoria Together – Building friendly, confident and safe communities

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
	In place since 1993, Community Fireguard continues to be an important part of the Living with Fire Framework, catering for those who require a more intensive program with more detailed information about how to prepare for and respond to bushfire. The Victorian Bushfire Information Line (VBIL) is a joint activity between CFA and the Department of Sustainability and Environment, initiated in December 2003. The FRV program aims to generate calls from the public to the VBIL on several issues, including preparedness activities, fire restrictions and Total Fire Bans, as well as incident information. The number of calls both during major fires and on a day-to-day basis throughout summer 2008-09 demonstrated that the VBIL is, in general. providing a valuable service to the community and continues to be an important component of the FRV program.	• The number of calls received in the 2008–09 summer period represented an increase of 740 per cent from the previous year due to the very busy fire season. • Between November 2008 and March 2009 the VBIL received 133,932 calls.		
3 Deliver Quality Services	CFA urban and rural response activity during the 2008–09 period remained at usual levels and saw CFA respond to a diverse range of incidents including: • Performing the role of control agency for the Brooklands Green closed landfill methane gas incident, which required significant investment of human and technical resources to measure gas levels and provide community briefings. In addition to the operational incident control activity, 48 community sessions were conducted with 795 attendees. It should be noted that this was the first time this type of incident was managed by CFA.	In total CFA attended 39,987 incidents in the period 1 July 2008 to 30 June 2009 resulting in 75,794 brigade responses with 25,183 incidents being classified as emergency incidents for measurement of service delivery standard purposes. Of these 22,525 incidents (89.45 per cent) met CFA's designated response time standard for the type of hazard attended with a further 1,021 incidents (4 per cent) missing compliance by less than 60 seconds. Monthly performance ranged between 88.5 per cent and 90.6 per cent.		Growing Victoria Together – Building friendly, confident and safe communities

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
	• Industrial hazardous material incidents at factories in Wendouree and Bayswater in which crews were required to neutralise or dissipate the hazardous substance and assess the safety of the workplace prior to employees returning to work. • In September 2008 a significant fire occurred at the Hazelwood Mine involving the deployment of resources from 98 brigades involving six CFA Regions as well as State support.			
4 Improve the Safety and Capability of CFA	**BURN OVER INCIDENTS** Despite a large number of burn over incidents affecting CFA fire trucks and operational vehicles due to the extraordinary conditions in February 2009, there were no serious injuries or deaths to CFA firefighters. This can be directly attributed to the safety practices and protective measures implemented as a result of lessons learned from the 1998 Linton incident and subsequent continuous improvement measures.	33 separate "near miss" investigations addressed 19 incidents that involved one or more CFA vehicles and crew impacted by fire or burn over In total, 30 vehicles were affected and approximately 140 crew members. Of these, four vehicles were destroyed or damaged beyond economic repair, with others suffering minor damage. Injuries due to burn, heat or smoke were minor in all but two cases. Vehicle protective measures incorporated into CFA vehicle design, firefighter training and Standard Operating Procedures that have contributed to the safety improvements include: • vehicle mounted crew protection curtains and awnings, as well as woollen blankets; • crew protection sprays; • safety and survival training in case of impact by fire;		Growing Victoria Together – Building friendly, confident and safe communities

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
		• policy on wearing of seatbelts while on operations; • water conservation practices; and • personal protective clothing. To improve safety of existing fleet vehicles, further retrofit of integrated seatbelts to 122 heavy tankers was completed in June 2009. Retrofit of 117 internal cabin rollbars and 63 crew protection awnings to heavy tankers was also completed.		
5 Effective and Practical Governance System	**SUPPORT FOR THE ROYAL COMMISSION** An internal taskforce was established to manage the work of CFA in reviewing fire planning and activities over the 2008–09 fire season. It was oversighted by a Board-appointed Steering Committee and led the following actions: • Debriefs. The task force coordinated debriefs jointly with the Department of Sustainability and Environment, Local debriefs have been conducted, as well as functional and regional debriefs and debriefs with other agencies in Victoria, and interstate and international agencies that assisted. • Chronology project. A joint CFA/DSE chronology of the fires was developed. An inter-agency intelligence committee was established to share data on the fires • Near miss investigations. Investigations commenced into accidents or near misses during the fire season.	A total of 194 respondents completed the online post-fire season operational survey for 2008–09; 91 from DSE and 103 from CFA. The results have been analysed and incorporated in planning for future fire danger periods.		Growing Victoria Together – Building friendly, confident and safe communities

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
	• Phoenix taskforce. A CFA liaison officer was appointed to work with the Victoria Police Phoenix taskforce coordinating investigations into the cause of the key fires and preparing the briefs for the Coroner. • Fire Spread Mapping. A fire spread mapping group assisted with fire behaviour and spread information to support investigations. • Bushfire Cooperative Research Centre (CRC) research. CFA supported and assisted the Bushfire CRC program of research on fire behaviour, building and planning issues, and community response and human behaviour issues. • CFA Research. CFA commenced a project to gather information from Community Fireguard groups affected by the fires. The project was initiated in Yarra area to collect information on the impact of the fires, experiences of the fire and feedback on the program. Information from other areas will also be collected.			

7 Department of Education and Early Childhood Development

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1	The proportion of 4 year olds participating in kindergarten. 2008-09 target - not applicable. GVT target states 'the wellbeing of young children will improve.'	In 2008, the participation rate was 92.4 per cent, up from 91.8 per cent in 2007.	Participation figures are based on the number of 4 year old children enrolled in the first year of state-funded kindergarten programs.	N/A	Growing Victoria Together, A Fairer Victoria, the Blueprint for Education and Early Childhood Development, the Victorian Indigenous Affairs Framework.
2	In 2008, the new National Assessment Program – Literacy and Numeracy (NAPLAN) tests were introduced. Targets were not able to be set as baseline year data was not available until December 2008. Previously reported national literary and numeracy benchmark data is not comparable to the new national minimum standards.	In 2008, the results of the NAPLAN assessment indicated that in Victoria, Year 3 and 5 students achieving the national minimum standard in reading, writing and numeracy were at or above the national average for each of these measures. In 2008, more than 96 per cent of Year 3 students achieved at or above the national minimum standard for writing and over 93 per cent for Year 5 reading.	The 2008 NAPLAN results were released by the then Ministerial Council on Education, Training and Youth Affairs (MCEETYA) in September 2008.	N/A	Growing Victoria Together, A Fairer Victoria, the Blueprint for Education and Early Childhood Development, the Victorian Indigenous Affairs Framework.
3	Percentage of 20–24-year olds in Victoria who have completed Year 12 or equivalent. 2008-09 target - not applicable. GVT states that by 2010, 90 per cent of young people will successfully complete Year 12 or its education equivalent.	In 2008, 88.7 per cent of 20–24 year olds in Victoria completed Year 12 or equivalent, up from 86.1 per cent in 2007. The Victorian result for 2008 was higher than all other jurisdictions with the exception of the Australian Capital Territory.	Sourced from the Australian Bureau of Statistics annual *Survey of Education and Work*. The Survey estimates are subject to sampling variability. Standard errors should be taken into account when using these data.	DIIRD and DPCD	Growing Victoria Together, A Fairer Victoria, the Blueprint for Education and Early Childhood Development

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
4	Percentage of school leavers completing a VCE VET certificate program in a school progressing to further education, training or work 2008-09 target – 90 per cent	In 2008-09, 96 per cent of school leavers who completed a VCE VET certificate program in a school progressed to further education, training or work. This result reflects the successful implementation of the youth transition initiatives. In 2008, over 1600 young people were assisted through the Youth Transition Support Initiative. As at 30 April 2009, a further 222 young people had been assisted.	The measure was assessed by the On-Track survey and includes government and non-government schools.	DIIRD	Growing Victoria Together, A Fairer Victoria, the Blueprint for Education and Early Childhood Development
5	The Victorian Schools Plan is a four year target to rebuild, renovate or extend 500 schools by 2011 at a cost of $1.9 billion.	Significant progress in upgrading government school facilities has been made through the Victorian Government's $1.9 billion Victorian Schools Plan (VSP). In the period July 2007 to the end of June 2009, the VSP has invested $1.15 billion for government schools. Victorian government and non-government education sectors will also receive $3.7 billion from the Federal Government's Building the Education Revolution (BER) initiative.	The Department is implementing the VSP and BER in an integrated manner and delivery of both programs is on schedule.	DEEWR	Growing Victoria Together, A Fairer Victoria, the Blueprint for Education and Early Childhood Development

8 Department of Human Services

The Department of Human Services' mission is to protect and enhance the health and wellbeing of all Victorians, emphasising vulnerable groups and those in need. The Department has six objectives and associated outcomes. These are listed below along with achievements for 2008-2009.

9 Department of Innovation, Industry and Regional Development

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1	*Innovation: Victoria's Future. Innovation Statement*	Developed, launched and commenced implementation of this major statement which provides $300m in new funding to further develop Victoria's innovation capabilities in tackling sustainability, health and productivity issues.	Too early for data to be available		GVT, Action for Victoria's Future (AVF) and Innovation Statement
2	*Securing Jobs for Your Future – Skills for Victoria.*	Developed, launched and commenced implementation of this statement which represents the most fundamental reform of Victoria's skills system in decades. The $316m overhaul of Victoria's training sector will increase the capacity of our Vocational Education and Training (VET) system to train thousands more students and to deliver the higher level skills that Victorian industries need	Too early for data to be available		GVT, AVF
3	*Building Our Industries for the Future – Action Plans for Victorian Industry and Manufacturing Sector.*	Developed, launched and commenced implementation of this statement designed to provide targeted support to maximise a number of sectors' ability to compete internationally, including automotive, defence, aviation and financial services.	Too early for data to be available		GVT
4	Facilitation of new investment projects.	Facilitated new investment projects valued at $3.07b, which stands to generate more than 3,800 new Victorian jobs.	$3.07b new investment More than 3,800 new jobs Investment facilitation provided to 287 investment projects with a total potential capital expenditure of $20b $35.24m committed under the Investment Support Program Facilitation of 853 jobs and $103.4m capital expenditure in the ICT sector		GVT, AVF

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
5 Opening of the world class Melbourne Convention Centre	Completion of the construction and opening for business the new 6 Green Star Convention Centre.	50 confirmed international conventions and approx. 190 National conventions, meetings and seminars booked for between 2009 –15 at the time of opening with an estimate of 250,000 delegates to Melbourne	DIIRD agencies involved included: Melbourne Convention and Exhibition Trust and Melbourne Convention and Visitors Bureau	GVT, AVF

10 Department of Justice

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 **VICTORIAN ALCOHOL ACTION PLAN** Achieve cross-government work with licensees, the community and regulators in implementation of Victoria's Alcohol Action Plan *Restoring the Balance* to enable: • Responsible business and citizen conduct; • Reduced alcohol-related social disorder; and • Increased compliance with liquor regulations.	Victoria's Alcohol Action Plan *Restoring the Balance* has 35 actions of which 13 are the department's responsibility (achievements described below). Delivering on these 13 actions has strengthened the department's capacity to prevent and reduce crime and harm associated with alcohol misuse in public places, particularly in and around licensed premised in entertainment precincts.	• Advertising of exclusions laws – *Your Move/Championship Moves* campaign launched in early May 2009. • Enhance enforcement of the Liquor Control Reform Act 1998 – Act amended to strengthen the powers of the Director for Liquor Licensing and Victoria Police to respond decisively to breaches of liquor laws by licensees. • Establishment of a civilian liquor licensing compliance directorate – The Directorate became operational on 6 July 2009. • Review liquor licensing fees – Stage 1: Review completed and new license fees commenced on 1 December 2008. • Review obligations of managers and employees of licensed premises – A review has begun of the obligations and responsibilities of venue managers. A review of industry training requirements is underway. • Freeze on issuing late-night liquor licences – A freeze on issue of liquor licences operating after 1am in municipalities of Melbourne (incl. Docklands), Port Phillip, Stonnington and Yarra is in place until the end of 2011.	Local Government, Victoria Police, Department of Human Services. Federal Government Agencies	Growing Victoria Together • Building friendly, confident and safe communities

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
2 **EXPANDING APPROPRIATE DISPUTE RESOLUTION SERVICES** Provide fair and efficient dispute resolution via expansion of Appropriate Dispute Resolution (ADR) services (methods of resolving disputes without going to court). ADR aims to provide the community, business and industry with better options for resolving disputes quickly and cheaply, as emphasised by the Attorney-General's Justice Statement 2 (October 2008).	The 2008-09 State Budget allocated funding to major ADR projects over four years. The department's ADR projects that focus on ADR in the courts and the community are well on track and on budget.	• A directorate has been established in the department to champion ADR and manage the Dispute Settlement Centre of Victoria (DSCV). • Regional expansion of the DSCV has seen the opening three offices in Gippsland, Hume and Barwon South Western Regions and recruitment of staff to the 3 metropolitan regions • The County and Supreme Courts have an additional judge and an ADR court coordinator to provide judge-led dispute resolution approaches in particular matters. • The Judicial College of Victoria provides specialised training in mediation for Judges and judicial officers. • Evaluation of a 12 month pilot in the Broadmeadows Magistrates' Court, involving more than 100 mediations, was completed. The settlement rate was up to 85 per cent of cases. The evaluation found two out of three cases could be settled without a costly legal battle. Waiting times from date of readiness to hearing fell from four months to two. • The pilot has been extended to the Sunshine and Werribee Magistrates Courts and will then be expanded throughout Victoria. • Development of proposal for a mediation pilot in the Children's Court in collaboration with the Department of Human Services and Victoria Legal Aid was commenced.	Department of Human Services, Victoria Legal Aid	Growing Victoria Together • Building friendly, confident and safe communities • A fairer society that reduces disadvantage and respect diversity

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
3 **PROGRESSING GAMING REGULATION AND ADDRESSING PROBLEM GAMBLING** Responsible business and citizen conduct. The department is committed to ensuring the gaming industry remains healthy and competitive, from both a regulatory and support perspective, whilst ensuring that problem gambling is addressed.	**Restructuring the Gaming Industry** In April 2008, the State Government announced new licensing arrangements for Victoria's gambling industry beyond 2012. Considerable progress has been made during 2008–09 on development of new arrangements for 2012 which will replace the current gaming operator duopoly with a new venue operator structure.	**Restructuring the Gaming Industry/Racing Industry** • The Gambling Regulation Amendment (Licensing) Act 2009 came into operation, supporting the new licensing arrangements for Victoria's gambling industry beyond 2012, for more responsive and accountable venue operator arrangements. • A new website, www.gambling licences.vic.gov.au, was launched, outlining Victoria's gambling and licensing arrangements and the government's review of those arrangements. • Two major documents, *Overview of the Victorian Gaming Industry* and *Statement of Outcomes II* were released, providing potential industry participants with the information required when considering whether to participate in the industry when the current gaming operator licences end. • A business education and mentoring program is now operational. The competitive process for the new Keno , Wagering and Monitoring licences is underway. These processes continue to be subject to strict probity regulations.	Department of Human Services	Growing Victoria Together • Building friendly, confident and safe communities • A fairer society that reduces disadvantage and respect diversity

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
	Addressing Problem Gambling *Taking Action on Problem Gambling* initiatives aimed at reducing the harm caused by problem gambling have been implemented, and 16 agencies funded to deliver Gambler's Help services, including problem gambling counselling, community education, financial counselling and the Recovery Assistance Program.	**Addressing Problem Gambling** • Implemented a new state-wide promotion campaign on television, radio, print, online, ATM screens and in gambling venues running from (Oct-Dec 2009 and Feb-Apr 2009). Calls to the Gamblers Helpline rose by 48% compared to the same time in the previous 12 months, and the problem gambling website saw more than 10 times the usual traffic during the campaign period. • Redeveloped the Gambler's Help Service to improve the interface with the broader health and welfare sector and to enhance service coordination and case management including specialist responses to mental health, drug and alcohol co morbidities and family services. • In consultation with the Department of Human Services entered into funding agreements from 1 July 2008 with primary care partnerships to include problem gambling into integrated health promotion plans. • Completed a partnership agreement with the Department of Human Services, to increase problem gambler's engagement with primary care services from July 2009. • Additional measures introduced to encourage responsible gambling included: • requiring industry participants to have a Responsible Gambling Code of Conduct; • reducing the maximum bet limit for new gaming machines; and • enabling the Minister for Gaming to ban products and practices that undermine the responsible gambling objectives. • establishing protection measures including a ban on ATMs in gaming venues (from 2012) and introducing pre-commitments for gaming machines (between 2010 and 015) where a player can set time and loss limits before playing a gaming machine		

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
4 **BUSHFIRES RESPONSE & BUSHFIRES ROYAL COMMISSION** Deliver key parts of the Government's preparation for and response to the 2008-09 bushfire season, in order to protect people and property.	The bushfire events of February 2009 had a dramatic impact on the planned outcomes for the 2008-09 reporting period. • Developed an immediate response to the 2009 bushfires and provided leadership in preparation for the 2009-10 fire season, including strengthening emergency services capability and developing state-wide communications for community bushfire planning and preparedness.	**Response Capacity: 2008-09 Bushfire Season** The 2008-09 bushfire season was long and difficult, cumulating with devastating fires on Saturday 7 February 2009 brought about by unprecedented temperatures, low humidity and high wind speeds. During this: • More than 10,000 personnel were involved in the largest coordinated emergency response and recovery in the state's history; • More than 20 agencies, including the Country Fire Authority, Metropolitan Fire Brigade, State Emergency Service and the Emergency Services Telecommunications Authority worked ceaselessly together in a supreme effort to save lives and property; • The department's Office of the Emergency Services Commissioner (OESC), provided leadership and strategic input, including situation reporting, rapid impact assessments and assisting with efforts to get essential information out to the public.	Department of Sustainability and Environment, Department of Human Services, Department of Planning and Community Development, Department of Transport, VicRoads	Growing Victoria Together • Building friendly, confident and safe communities • A fairer society that reduces disadvantage and respect diversity • More quality jobs and thriving innovative industries across Victoria
		Recovery: 2008-09 Bushfire Season • Victoria Police searched more than 2,000 burnt-out properties and investigated the causes of the fires, including some possible cases of arson. • Corrections Victoria provided offender and prisoner work teams to help clean up affected areas. • The Victims Support Agency worked with the Victim Assistance and Counselling Program to provide support for workers and victims at the front line, providing access to emotional counselling and referral to other support services. • Two magistrates were reassigned to work as coroners and funds were provided for extra coronial hearings and grief counselling services for bereaved families.		

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
		• Within three months of the February 7 tragedy, all 173 bushfire victims were formally identified and released to their families. This identification of victims was completed in just 90 days, well in advance of the many months predicted for this task. • Consumer Affairs facilitated access to financial counselling for people affected by the fires and investigated bushfire fundraising scams. • The department re-issued birth certificates, ensured volunteers in recovery centres had Working with Children Checks processed quickly and ceased infringement activities in fire-affected areas. **Bushfires Royal Commission** • The department took lead responsibility establishing the Royal Commission providing full-time management of Royal Commission activities and requests, monitoring recovery activities and providing status reporting to cabinet and weekly State Coordination and Management Council bushfires sub-committee meetings. • The Victorian Government Solicitor's Office took responsibility for providing legal representation for the state (including its departments and agencies).		
		Volunteer Recognition • Over 1,000 civic receptions, local brigade and unit events in fire-affected areas were held to thank the people who defended affected communities and are helping to rebuild them. • The department held a special awards ceremony to recognise the dedication of staff and volunteers who made a real difference by going beyond their normal duties and sacrificing much to aid the state's response to the bushfires. The department commenced development of the *Vital. Valued. Victorians.* campaign for delivery via print, TV, radio and online advertising.		

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
5 **PROMOTING HUMAN RIGHTS AND ADDRESSING DISADVANTAGE** To prevent and deal more effectively with discrimination. Particular focus has been on the criminal justice system where over representation of a particular group of people is often an indicator of systemic disadvantage needing special attention.	The department continued to embed the Human Rights Charter and strengthen Equal Opportunity laws and seek a review of guardianship laws. Within the criminal justice system, the Aboriginal Justice Agreement the department continued to improve justice outcomes for the Koori community. The department implemented the Justice for Refugees program and finalised the Justice Mental Health Strategy.	**Human Rights and Equal Opportunity** • The department continue to coordinate activities across the whole of government in relation to the charter's impact on legislation • The Human Rights and Equal Opportunity commission received 7,675 enquiries to its Advice Line (an 8.2 per cent increase on 2007/09), 2,066 complaints, of which 60 per cent were finalised within three months and 187,584 visits were made to its website (a 17.8 per cent increase). • Work has progressed on the development of legislation to replace the *Equal Opportunity Act 1995* to eliminate systemic discrimination and improve the complaints system. **Addressing Disadvantage in the criminal justice system** • Through the Victorian Aboriginal Justice Agreement, the department continued to work closely with the Koori community to deliver more than 50 programs and projects to reduce the over-representation of Kooris in the criminal justice system • The first County Koori Court was opened in the Latrobe Valley • The Justice for Refugees program is helping refugee community understand and use justice services, reduce their contact with the criminal justice system and to improve their social inclusion • The department, with the Department of Human Services, developed and finalised the *Because Mental Health Matters: Victorian Mental Health Reform Strategy 2009-19.*	Department of Human Services	Growing Victoria Together • A fairer society that reduces disadvantage and respect diversity

Sources: Justice Annual Report 2008-09, Justice Annual Report 2008-09; Department of Justice Strategic Priorities 2008-09 and www.oesc.vic.gov.au

11 Department of Planning and Community Development

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 Restoring bushfire affected community networks and ensure the rebuilding of safer homes and community facilities	DPCD supported recovery and restoration activities in a number of ways, including the removal of impediments in planning schemes to bushfire recovery, the provision of temporary accommodation and by taking a lead role in coordinating a number of bushfire-related activities such as the logistical management of donations.	New interim building regulations were introduced to make sure that all new Victorian homes are built to high fire protections standards. Rebuilding activities were facilitated by exempting the need to obtain a new planning approval for replacement homes, garages, storage sheds, dependent person's units, and buildings used for farming. A further exemption has been introduced for community infrastructure affected by bushfires for development of up to $1m. DPCD also contributed to actively building the capacity for fire-affected councils including skills support in urban design, mapping and statutory planning. Planning for future bushfire risk was also a feature of the DPCD's bushfire activities in 2008-09, including examining existing policy, risk identification and assessment methodologies and the effectiveness of existing planning scheme tools. DPCD took a lead role in the coordination of three streams of donations, including offers of volunteer assistance, financial support and material goods with a specific responsibility for corporate donations. DPCD also led a team of representatives from agencies including Victoria Police, the CFA and SES, as well as other Victorian government departments and agencies including DHS and the ESC to establish a coordinated response to ensure effective logistical management of the storage, transport and distribution of much-needed goods and services to meet immediate community needs. Of critical importance was the registration of offers and provision of feedback to donors, and the development of appropriate donor recognition processes.	Building Commission Department of Sustainability and Environment Victoria Police, CFA, other Victorian Government Departments, SES, DHS and the ESC, State government agencies, local government agencies and 15 major volunteering agencies including the RSPCA, St Vincent de Paul, Anglicare Victoria, VicRelief, Foodbank and Lifeline.	Victoria's bushfire reconstruction and recovery effort

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
		Through the Bushfire Volunteer Hotline, DPCD coordinated the referral of over 12,000 people wanting to volunteer in the bushfire relief and recovery effort. Referrals were made to State Government agencies, local government and 15 major volunteering agencies including RSPCA, St Vincent de Paul, Anglicare Victoria, VicRelief Foodbank and Lifeline		
2 Managing Melbourne's growth	DPCD was responsible for providing population, housing and household projections and planning activities that analysed and contributed to the management of the rapid increase in population growth in Victoria. DPCD's activities around managing population growth in 2008-09 focused on maintaining Melbourne's housing competitive advantage leading to greater housing density and choice, shaping the city, providing employment closer to where people live and the promotion of greater housing density near public transport.	Melbourne is expected to reach a population of 5 million much faster than previously expected. Melbourne @ 5 million, released in December last year, identified that some 600,000 additional dwellings will need to be accommodated over the next 20 years, including 316,000 in established areas and 284,000 in growth areas. It also recognised the need to review the Urban Growth Boundary to create an additional 134,000 dwellings (included in the 284,000 required in growth areas). Critical transport and employment priorities designed to reduce overall journey-to-work times were also identified. It is projected that there will be a significant need for new jobs located closer to where people live. A number of activities have commenced to deliver these outcomes. A central pillar is the establishment of Central Activity Districts to support and facilitate growth and change in established areas. Central Activities Districts (CADs) projects focus on the revitalisation of priority suburban and regional centres through high quality mixed-use private sector development around key transport nodes. Work to date on the CADs includes: **Broadmeadows:** Completion of an Expression Of Interest (EOI) process and subsequent appointment for the Council Offices in Hume Central. An EOI for a Government Services Building has been prepared to establish developer interest in providing over 10,000m2 of office space. **Dandenong:** Tenders were called in late 2008 for Lonsdale Street improvements with works scheduled to commence in the first half of 2009. Tenders called for construction of the new	Local governments, DOT, DSE	Melbourne 2030; A Plan for Melbourne's Growth Areas; *Melbourne@ 5 million*, Planning in Partnership with Local Communities; Victorian Transport Plan *Melbourne @ 5 Million*, Victorian Transport Plan (VTP) Victorian Integrated Housing Strategy (VIHS)

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
		George Street Bridge with works to commence in May 2009. **Geelong:** One major project will improve the station precinct, reconfiguring the eastern side and constructing a new road, to better link to the city and waterfront. **Creating Better Places:** $2m worth of Urban Improvement projects were announced under Round Four grants to local councils. Victoria in Future 2008 population projections were published and current Victoria in Future population, household and housing projections were completed. The delivery of the population projections ensured high quality policy development, in particular for the Victorian State Government Budget Papers, Melbourne @ 5 Million, the Victorian Transport Plan and the forthcoming Victorian Integrated Housing Strategy (VIHS).	DTF, DOT, DHS, DPC	
3 Strengthening and supporting communities through creating and upgrading community facilities and infrastructure	The Victorian Community Support Grants program helped communities to achieve outcomes that mean the most to them through the development and maintenance of various community facilities. Under the program, funding was provided for three categories of grants: Planning, Strengthening Communities and Building Community Infrastructure.	In 2008-09, 102 projects were approved to a value of $13.36M. These projects were both community-driven and responsive to the government's planning, community development and social inclusion priorities. They also build on opportunities for coordinated investment. The total amount for grants in the Planning category was $782,390; for the Strengthening Communities category it was $3,948,724 and in the Building Community Infrastructure category, the total was $8,625,786.	Victorian Community Support Grants build on opportunities for coordinated investment from other state, federal and local government agencies. Business, not for profit and the community sector also contribute to these investments.	A Fairer Victoria, Melbourne 2030
4 Create opportunities for social and economic participation by expanding skills training and volunteering in communities, particularly by young people	Volunteering and skills training opportunities for young people were created and promoted through a number of DPCD's activities in 2008-09. Many young people aged 10–18 years volunteered in their communities in 2008-09 through the	14,616 young people participated in the Advance program in 2008 (up from 13,509 in 2007). 34.4% of Advance 2008 participants surveyed indicated that they continued to volunteer with the community group they worked with beyond the program. Annual Vocational Education and Training (VET) module enrolments Government funded through the ACFEB to	DEECD, Schools	GVT, AFV

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
	Advance program and more than a third of these participants continued to volunteer with the community group beyond the program. Formal learning opportunities were also promoted and provided by the Adult, Community and Further Education Board (ACFEB) that supported and strengthened the capacity of local communities to respond to and meet educational needs.	ACE organisations and Adult Education Institutions reached 180,004 in 2008-09.		
5 Developing responses to social and economic disadvantage targeting places and population groups	Provided policy contexts and updates with a focus on the impact of the global financial crisis on the distribution of disadvantage across Victoria. Services that focused on reducing and providing support to disadvantaged communities and places also continued to be provided by DPCD in 2009.	A Fairer Victoria 2009: Standing Together Through Tough Times was updated and released in May 2009 and commits $925.6 million to protect the vulnerable and address social disadvantage across a range of government initiatives. A social inclusion agenda was also developed by DPCD in 2008-09, with the document "Social Inclusion: A Victorian Approach" released publicly in December 2008. The paper describes the Victorian approach to social inclusion, and outlines a number of Victorian initiatives that promote social inclusion. A number of services and initiatives targeting disadvantaged communities were also implemented by DPCD in 2008-09. The Family Violence Risk Assessment and Risk Management Framework was implemented through the roll-out of training on the framework. Training was delivered to 2194 participants from specialist and mainstream services in 99 sessions across Victoria. All Maternal and Child Health workers and all Registrars in Magistrate Courts were trained and reported high satisfaction with training content and delivery. As a result of the training, there were significant shifts in knowledge, skill and confidence in using risk indicators, assessment and referral pathways.	DPC, DTF, DHS, DEECD, DoJ, DIIRD.	A Fairer Victoria (AFV)

12 Department of Premier and Cabinet

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1	Fostering unity and promoting harmony (VMC)	Actual consultations with cultural and linguistically diverse communities exceeded target	BP3 performance measure: Number of consultations held	-	Aligned to: GVT outcome: Greater public participation and more accountable government. AVF strategy: providing fairer access to services.
		Actual Celebrate our Cultural Diversity Week events held exceeded target	Number of events held		Aligned to: GVT outcome: Building friendly, confident and safe communities
2	Increased access to arts and culture (ARTS)	Actual attendances at Arts Portfolio Agencies exceeded target	BP3 performance measure: Access – number of users / attendances at all Agencies.	The Victorian Major Events Company provided assistance towards the Melbourne Winter Masterpieces exhibition program.	Aligned to: GVT outcome: Building friendly, confident and safe communities AVF Strategy: Providing fairer access to services
3	Increased access to arts and culture (Arts)	Actual number of school student engagements with Arts Portfolio Agency education programs exceeded target	BP3 performance measure: Education - number of students participating in Agency education programs.	The Department of Education and Early Childhood Development is a supporting partner of the Arts Portfolio Agency education programs through the Strategic Partnerships Program.	Aligned to: GVT outcome: Building friendly, confident and safe communities AVF Strategy: Providing fairer access to services

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
4 Increased access to arts and culture (Arts)	Actual attendances at Major Performing Arts Companies exceeded target	BP3 performance measure: Number of attendances at Major Performing Arts Organisations	-	Aligned to: GVT outcome: Building friendly, confident and safe communities AVF Strategy: Providing fairer access to services
5 Increased access to arts and culture (Arts)	Actual attendances at Major Festivals exceeded target	BP3 performance measure: Number of attendances at Major Festivals		Aligned to: GVT outcome: Building friendly, confident and safe communities AVF Strategy: Providing fairer access to services

13 Department of Primary Industries

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 Implement the Future Farming Strategy	Future Farming Strategy initiatives delivered as per the implementation plan	1. 400 farmers attended AgFutures Workshops 2. 280 on farm irrigation assessments completed 3. Dairy industry consultation completed 4. Engagement with Asian markets lead to $3.65m new export sales 5. 5. Sustainable Farm Families program delivered 6. Better Services to Farmers strategy released in April 2009	DIIRD DSE	Action for Victoria's Future Annual Statement of Government Intentions Future Farming Strategy
2 Develop a whole of government Biosecurity Strategy for Victoria	The Biosecurity Strategy was approved and launched in June 2009	1. Completion of a Stakeholder Summit on 10 December 2008	DSE	Action for Victoria's Future Annual Statement of Government Intentions
3 Establish Clean Coal Victoria, dedicated to maximising the value of Victoria's brown coal reserves	Clean Coal Victoria's office opened in August 2009	1. Office site in Traralgon selected and on track to open in August 2009 2. A geological program focussed on drilling in the Latrobe Valley commenced 3. Recruitment for staff including the position of Director completed 4. Strategic Plan developed		Labor's Financial Statement 2006

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
4 Contribute to the implementation of Our Environment Our Future	Our Environment Our Future delivered as per the implementation plan	1. eResource Centre (eRC) established 2. Three new projects commenced under the Healthy Soils Project 3. Pilot water reduction and waste reduction programs established at two regional dairy processors 4. Community engagement guidelines released for mining and mineral exploration	DSE	Action for Victoria's Future Annual Statement of Government Intentions Our Environment Our Future
5 Implement the Energy Technology Innovation Strategy (ETIS)	ETIS projects implemented with some milestone delays	1. Seven unique small scale carbon capture plants developed 2. Sustainable Energy Research and Development Grants administered 3. IP Hazelwood 2030 project carbon capture component commissioned in April 2009 and coal drying component progressed 4. HRL 400MW Large Scale Pre-Commercial Clean Coal Generation Plant progressed although site selection and project schedule delays occurred	DIIRD DSE	Action for Victoria's Future Annual Statement of Government Intentions Energy Technology Innovation Strategy

14 Department of Sustainability and Environment

Water Portfolio:

As described on pages 33–43 of the Department's 2008-09 Annual Report, significant progress was made on implementing the state water plan – the next stage of the Our Water,Our Future government strategy. Achievements include:

(a) The desalination plant at Wonthaggi continues to meet milestones and is on target for completion in 2011. A major milestone was achieved in August 2008, with all specific requirements for the Environment Effects Statements (EES) and EPA Works Approval (WAA) completed, confirming the plant would achieve all associated environmental protection policies.

In July 2009, the Aquasure Consortium was announced as the successful bidder to design, build and operate the desalination plant (Note 34 - Subsequent events, the Department's 2008-09 Annual Report, page 148).

(b) Significant progress to expand Victoria's water grid has been achieved in 2008-09 with the $688 million Wimmera Mallee Pipeline nearing completion. The project replaces 17,500 kilometres of open earthen channels with 8,800 kilometres of pressurised pipeline and associated structures. The pipeline is due to be completed by the end of 2009.

The Department also worked with the newly established Northern Victoria Irrigation Renewal Project state-owned enterprise to ensure that the $2 billion (stage 1 and stage 2) upgrade of northern Victoria's irrigation infrastructure commenced smoothly. The project will provide an estimated 425 gigalitres of water savings, to be shared by irrigators, the environment and urban supply.

(c) On 24 November 2008, the Premier and Minister for Water launched the Target 155 program to help reduce residential water consumption and the Support 155 program to encourage businesses to reduce their water use.

Since target 155 was introduced, Melbournians water consumption has dropped from 165 litres per day to 152 litres per day for the year to November 2009.

Support 155 is a program to assist businesses to make water savings along with the residential sector. More than 2,500 businesses have registered for Support 155 and about 1,000 of these have completed water audits.

In addition, the Department has contributed $13.4 million towards the construction of on-site water recycling facilities at Australian Vinyl and Qenos manufacturing sites, and the Somers and Altona Sewage Treatment Plants. Together, these projects are expected to provide 3,385 megalitres of recycled water for some of Melbourne's largest industrial water users. All the projects are progressing well and are on schedule to be completed as planned.

Environment and Climate Change Portfolio:

(a) In December 2008, the Department released Living With Fire – Victoria's Bushfire Strategy. This was Victoria's first comprehensive bushfire strategy. The strategy was developed to enable bushfire agencies to be better prepared to meet future challenges in a time of climate change and many of the policies and procedures included in this strategy were implemented during the 2008-09 fire season.

The Black Saturday fires of 7 February 2009 are considered to be Victoria's worst natural disaster. During the 2008-09 season, 825 bushfires occurred across Victoria which was twenty-seven per cent more than the 30 year average (652). The area burnt was approximately 437,000 hectares, which is two and a half times the 30 year average (page 44 of the Department's 2008-09 Annual Report)

Approximately 3,460 Department and NEO staff worked in fire roles during the 2008-09 fire season, many of who worked side by side with CFA, State Emergency Services (SES), Metropolitan Fire Brigade (MFB), Victoria Police and Ambulance Victoria across the fire affected regions and in the iECC located in Melbourne. Additional assistance came from approximately 3,400 interstate and overseas staff with a range of skills and experiences.

(b) Significant enhancements were made to Victoria's parks and reserves system throughout 2008-09 including the creation of the 18,510 hectare Cobboboonee National Park and the 8,685 hectare Cobboboonee Forest Park in south-west Victoria in November 2008.

In addition, the 90-hectare Quarantine Station at Point Nepean was transferred to Victoria in June 2009. This represents the conclusion of the transfer of land from the Commonwealth to the Victorian Government, allowing the Victorian Government to establish the Point Nepean National Park (See pages 52 – 54 of the Department's 2008-09 Annual Report)

(c) The *Land and biodiversity at a time of climate change* White Paper is in its final stages of development and is scheduled to be released towards the end of 2009. The White Paper will set the direction for Victorian Government policy and investment priorities in natural resource management, land health and biodiversity for the next 20-50 years. (See page 56 of the Department's 2008-09 Annual Report).

(d) The Victorian Local Sustainability Accord has made a significant difference to the way that local governments work with the State Government to improve sustainability across the state.

During 2008-09, an additional eight councils joined the accord, bringing the total number of Victorian councils now participating to 70. Over the same period, the Accord also provided grants to 14 local government projects involving 39 accord signatory councils. (See page 67 of the Department's 2008-09 Annual Report).

15 Department of Transport

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 Develop the Government's response to Investing in Transport: East West Link Needs Assessment (**The Victorian Transport Plan**) by December quarter 2008	One of the priority initiatives in Meeting our Transport Challenges was an assessment of east-west transport needs. Investing in Transport: East West Link Needs Assessment was released in April 2008. The Victorian Government widened the scope of its response to Investing in Transport and consulted with community and business groups, local councils, industry and other stakeholders across the state to develop a comprehensive transport plan for the state, the Victorian Transport Plan. The Victorian Transport Plan was released in December 2008 and sets transport priorities for the next twelve years	Public consultation on Investing in Transport: East West Link Needs Assessment was open for a 15-week period and more than 2,300 submissions were received. Further consultation included: • eight regional and suburban transport forums • community transport forums held by Members of Parliament • the Victorian Transport Summit hosted by the Premier of Victoria with more than 120 experts from the transport, construction, finance, environment, planning and social services sectors	VicRoads DPCD DPC Linking Melbourne Authority Port of Melbourne Corporation	Growing Victoria Together

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
2 Implement initiatives that increase **public transport patronage**	Introduced 328 new and extended weekly metropolitan train services. Increased the current order of 18 new metropolitan trains by 20 to a total of 38. Took delivery of four trams on lease from France. Boosted the frequency of weekend tram services to St Kilda beach to 12 minutes. Extended SmartBus route 903, which now carries more than 16,000 people each weekday. Boosted the frequency of NightRider bus services from hourly to 30 minutes on nine routes. Completed the Clifton Hill rail duplication project. Completed the Cranbourne stabling and station upgrade. Completed the building of a second railway station in Ballarat at Wendouree.	In 2008-09, metropolitan train patronage grew by 6.3% to 213.9 million. Tram patronage grew by 12.5% to 178.1 million. Metropolitan bus patronage grew by 9.0% to 99.5 million. Regional train and coach grew by 9.9% to 13.2 million. The proportion of private motorised trips taken on public transport in Melbourne increased from 13.0% to 14.3% in 2008-09.	Connex Yarra Trams Bus Association Victoria V/Line Metlink	Growing Victoria Together The Victorian Transport Plan
3 Procure effective contractual arrangements for metropolitan train and tram services (**Metro Rail Franchising – MR3**) by December quarter 2009	In June 2009, Keolis Downer EDI was selected as preferred tenderer for the franchise to run Melbourne's trams, and Metro Trains Melbourne as preferred tenderer for the operation of metropolitan trains. Contracts were signed in August 2009 and the new franchises will commence in November 2009.			The Victorian Transport Plan

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
4 Strong management and delivery of **myki** in selected regional towns by June 2009 and across Victoria by December quarter 2010	At 30 June 2009, Victoria's new smartcard system for public transport passengers, myki, was operating on 320 regional buses in Geelong, Seymour, Ballarat, Bendigo, Warragul and the Latrobe Valley, including Moe, Morwell and Traralgon.	More than 35,000 mykis have been sold to 30 June 2009, and about 60 per cent of regional bus passengers are now using myki money or a myki pass, rather than buying short-term tickets.	Transport Ticketing Authority	The Victorian Transport Plan
5 Complete the **Channel Deepening** project by December quarter 2009	The Port of Melbourne Corporation (PoMC) continued deepening sections of Melbourne's shipping channels to provide access for 14 metre draught vessels within Port Phillip Bay and the Yarra River. PoMC started dredging in February 2008. On 1 October 2008, dredging at the entrance, the most technically challenging aspect of the project, was successfully completed. In early 2009, capping of contaminated sediment in a specially constructed bund in the north of the bay was completed. The Channel Deepening project remains on schedule to be completed by December 2009, on time and budget.	At 30 June 2009, a total of 14.5 million cubic metres were dredged. This represents 63 per cent of the total project volume.	Port of Melbourne Corporation	Freight Futures

16 Department of Treasury and Finance

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1	Victoria's AAA credit rating retained.	Victoria's AAA credit rating was re-affirmed.	Re-affirmed by Moody's Investors Service in January 2009 and Standard and Poor's in September 2009.	N/A	GVT
2	Achieve a minimum $100 million budget surplus.	Surplus of $251 million achieved for 2008-09, and forecast surpluses of $165 million in 2009-10 and an average of $349 million over the three following years.	Detailed in the 2008-09 Annual Financial Report and 2009-10 Budget papers.	N/A	GVT
3	Victoria's taxes to remain competitive with the Australian average	Victoria's tax to GSP/GDP ratio remains around the Australian average and improves over the out years compared with NSW and Queensland.	Victoria did not raise any taxes or delay abolition of taxes despite large falls in GST and own source revenue as a result of the economic downturn.	N/A	GVT
4	Support the Victorian Government's role at COAG	The Department played a significant role in working with the Commonwealth and other states and territories to design a federal funding system that ensures a certainty of funding in SPPs for core services.	The revised SPP system will provide states and territories with greater flexibility in delivering services and will also see SPPs distributed on a an equal per capita basis from 2014-15, significantly increasing Victoria's share of these payments.	A number of other departments were involved in this process	GVT
5	Deliver financial reports	The Department publishes budget papers and regular financial reports.	The Department delivered the 2008-09 Budget Update, 2009-10 State Budget, 2008-09 Annual Financial Report, 2008-09 Mid Year financial report and four quarterly financial reports.	All Government departments and agencies	Linked to all strategies

17 Eastern Health

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 **Achieve the agreed budget by year's end and ensure cash flow meets Eastern Health's requirements** Undertake appropriate financial management to maintain financial sustainability – due end-June 2009	• Achieved the agreed budget for 2008-09, with a $127,000 surplus to budget; • Cash balance each month supported adequate cash flow to meet Eastern Health's requirements over the full year.			
2 **Redevelopment of Box Hill Hospital** • Work with the Victorian Department of Human Services to update the Box Hill Hospital redevelopment business case and implement the agreed communication strategy; and • Complete development of the model of care to support hospital redevelopment – due December 2008.	• Updated the Box Hill Hospital redevelopment business case in November 2008; • Completed the model of care in preparation for the Box Hill Hospital redevelopment.			
3 **Progress strategies to attract and retain sufficient numbers and skill levels of staff to meet current and new service needs.** • Continue to implement the organisation-wide Research and Education Plan including: – Clinical School – Appoint Chair of Nursing – Review options for the appointment of a Director of research; and • Implement the employee value proposition and update specific workplace plans – due June 2009	• Established the Eastern Health clinical school in partnership with Monash University and Deakin University; • Appointed a Chair in Nursing in December 2008; • Established an Eastern Health medical workforce unit • Developed an organisational-development strategy and action plan.			

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
4 **Achieve full accreditation at Australian Council on Healthcare Standards (ACHS) organisation-wide survey** • Action periodic review recommendations; and • Address gaps identified in self assessment under EQuiP 4 – due March 2009	• Addressed gaps in EQuiP4 self-assessment and achieved full ACHS accreditation for four years across Eastern Health.			
5 **Continue to improve performance and endeavour to meet Statement of Priorities access and activity targets** • Implement strategies arising from the Box Hill Hospital access review; and • Implement strategies to achieve State and Commonwealth elective surgery initiatives – due June 2009	• Completion of 16 and began a further four recommendations outlined in the access review at Box Hill Hospital. This led to improvements in the rate of hospital bypass and more appropriate length of stay and waiting times in the emergency department. • Achieved the State and Commonwealth elective surgery targets for the year.			
6 **Progress strategies to enhance and redistribute service capacity across Eastern Health** • Complete and commission capital works and supporting models of care targeted within 2008-09, including: – Yarra Ranges Health – Stage 1 of Box Hill Hospital – Maroondah Hospital upgrades including stage two of the adult acute mental health beds, post-anaesthetic care area (PACA) and ward – Outer-east Prevention and Recovery Care (PARC)	• Commissioned Yarra Ranges Health • Completed the first stage of redeveloping Box Hill Hospital with the commissioning of 5 Arnold Street, Box Hill • Completed stage two of the acute adult mental health inpatient unit at Maroondah Hospital and the Maroondah Hospital expansion project, providing greater bed capacity at Maroondah Hospital; • Progressed planning for the Prevention and Recovery Care (PARC) facility, with construction scheduled for early 2009-10; • Commissioner renal services at Box Hill and Maroondah Hospitals;			

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
– Renal services at Box Hill and Maroondah Hospitals; • Continue working with the Victorian Department of Human Services to complete a final business case for the Maroondah Hospital critical care expansion including the additional inpatient ward and associated infrastructure; • Develop an agreed transition plan for Edward Street Nursing Home; • Implement the agree transition plan for Healesville and District Hospital; • Implement HealthSMART Clinicals and undertake an implementation planning study (IPS) for new patient administration system; • Improve outpatient access and referral management; and • Participate in the 'redesigning hospital care' program including completion of the redesign capability building process – due June 2009.	• Completed and submitted a final business case to the Victorian Department of Human Services that supports the further expansion of inpatient and critical care capacity at Maroondah Hospital; • Completed a condition assessment report for Healesville and District Hospital; • Established the HealthSMART project team and progressed work to 'go live' with the HealthSMART clinicals project in 2009-10; • Established new antenatal and postnatal services at Yarra Ranges Health and implemented improvements in outpatient access, as a result of the outpatient improvement and innovation strategy; • Improved Eastern Health's capacity for sustainable quality improvement through the redesigning hospital care program.			

18 Goulburn–Murray Rural Water Corporation

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or Qualitative data to demonstrate outcome	Other agencies involved	Relationship to major Government Strategy
1	Early Works program	Completed 2008 gate program and plastic lining program. Meter program approximately 95% complete	Works tracked through FutureFlow ALT reporting process. Water savings under verification in the DSE Technical Manual.	FutureFlow (Alliance consisting of G-MW, Transfield Services, Comdain and SKM).	Our Water, Our Future
2	Shepparton Modernisation	Completed 2008 gate program and approximately 60% complete for 2009 program. Katandra pipeline 90% complete. Tranche 1 and 2 meters programs complete. Tranche 3 and 5 meters programs underway.	Works tracked through FutureFlow ALT reporting process. Water savings under verification under DSE Technical Manual.	FutureFlow (Alliance consisting of G-MW, Transfield Services, Comdain and SKM).	Our Water, Our Future
3	Central Goulburn 1-4	2008 plastic lining program completed. Tranche 2 meter program completed and tranche 5 program commenced.	Works tracked through FutureFlow ALT reporting process. Water savings under verification under DSE Technical Manual	FutureFlow (Alliance consisting of G-MW, Transfield Services, Comdain and SKM).	Our Water, Our Future
4	Lake Mokoan Alternate Supply to Lake Mokoan Diverters	Completed construction of a 25ML/d pump station, 30 km pipeline, 75ML storage and modification of the outlet channel to divert water top the pump station. Pump station operational and providing supply to customers	Project funded through GOULBURN - MURRAY WATERDSE Funding Deed for Mokoan Return to Wetland Project. Project tracked and reported under the Deed and project executive.	Nil	Our Water, Our Future
5	Dam Improvement program - Laanecoorie	Dam safety program completed. G-MW dam safety risk profile reduced. Dam Safety risk managed in compliance with Statement of Obligations.	Laanecoorie dam safety risk reduced to tolerable level in accordance with ANCOLD criteria.	Nil	

19 Melbourne Health

Planned outcome to be achieved in 2008-09		Description of actual outcome achieved in 2008-09	Quantitative or Qualitative data to demonstrate outcome	Other agencies involved	Relationship to major Government Strategy
1	Improve patient access.	Achievement of Statement of Priorities access performance targets. Outpatient access and referral management project complete. Further improvement projects in place including emergency radiology, pharmacy, renal outpatients, emergency department-ambulance Interface, admission pathways, discharge planning and long-stay patient management.	At end 2008-09 five out of 12 access performance targets were achieved in full, and four in part. Outpatient access project achieved reduced waiting times for appointments, improved discharge, patient focused bookings and revised staffing and care models.	Department of Health	Growing Victoria Together
2	Provide safe and effective health care.	2008/09 Quality Plan developed and implemented with initiatives including improved and sustained health outcomes for cardiomyopathy patients, improved access to time critical treatment for patients with stroke and the Clinical Observations Project for Adult Mental Health Services. Planning to develop the 2009/10 Quality Plan and 3 year strategic plan commenced.	Achieved		Metropolitan Health Strategy
3	Ensure the organisation is strategically positioned.	RMH Masterplan reached required milestones to allow expected completion of August 2009. Parkville Comprehensive Cancer Centre funded by State and Federal Governments in May 2009. Relationship agreement endorsed by all partners.	Achieved.	Department of Health Peter MacCallum Cancer Centre The University of Melbourne Ludwig Institute for Cancer Research Royal Women's Hospital Walter and Eliza Hall Institute of Medical Research	Metropolitan Health Strategy Parkville Precinct Strategic Plan

Planned outcome to be achieved in 2008-09		Description of actual outcome achieved in 2008-09	Quantitative or Qualitative data to demonstrate outcome	Other agencies involved	Relationship to major Government Strategy
4	Improve financial performance across all areas	Initiatives in place to improve financial position include improved transaction processing, enhanced Finance structure and savings and revenue initiatives. Improvement Framework reviewed and enhanced with a robust methodology and local leadership. Internal training program on improvement skills developed and collaborative venture established with ANZ to provide lean six sigma training and coaching.	Achieved operating surplus of $637,000.		Metropolitan Health Strategy
5	Improve the culture of Melbourne Health	Melbourne Health Workforce Plan implemented including development and implementation of an online recruitment system “Mercury erecruit”, improved training and development programs, commencement of a leadership development program, embedding the cultural change program including ‘living our values’ training and the commencement of a Capability and Development Framework for Melbourne Health.	Achieved implementation to schedule.		Metropolitan Health Strategy

20 Melbourne Water Corporation

Planned outcome to be achieved in 2008-09	Description of actual outcome not achieved in 2008-09 and underlying reasons	Other agencies involved
1 Achieve zero lost time injuries (LTIs) for employees and contractors.	Melbourne Water recorded one LTI (after a 16-month period free of lost time injuries) and its contractors suffered five LTIs (including one in which a project was suspended for more than two months until safety improvements were made).	Work-Safe Victoria

21 Metropolitan Fire and Emergency Services Board

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 Basic home fire safety information embedded into the national Community Services Training Packages	Basic home fire safety information is incorporated into 49 separate qualifications for community care workers contained in the packages. This includes the qualifications for those delivering services in aged, disability, children and youth services, mental health, housing, volunteering, alcohol and other drugs, community work and community development.	Following a 2-year review process, the packages were endorsed by industry and government with sign-off by the Deputy Prime Minister in December 2008. Basic home fire safety information has been developed by MFESB in partnership with the Australasian Fire and Emergency Service Authorities Council and its group members into training materials. This information, for use in every state and territory, will be available to the sector at no cost in December 2009 via all participating fire services websites.	• Qld Fire and Rescue Service • NSW Fire Brigades • NSW Rural Fire Service • Country Fire Authority Victoria • Tasmania Fire Service • South Australian Country Fire Service • SA Metropolitan Fire Service • NT Fire and Rescue Service • Fire and Emergency Services Western Australia • ACT Fire Brigade	A Fairer Victoria • Giving children the best start in life. • Helping older Victorians stay independent. • Providing fairer access to services. • Creating new opportunities for people with disabilities. • Increasing support for mental health services. • Building stronger communities. • Changing the way we work. • Changing the way we work at regional and local levels

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
2 Integrated Fire Management Planning	Development of the Integrated Fire Management Planning Framework for Victoria. Includes establishment of the State and Metropolitan Integrated Fire Management Planning committees responsible for developing plans to encompass fire prevention, preparedness, response and recovery across metropolitan Melbourne.		• Country Fire Authority Victoria • Department of Sustainability and Environment • State Emergency Service	Growing Victoria Together • Building friendly, confident and safe communities A Fairer Victoria • Developing liveable communities
3 Personal Protective clothing	Roll-out of the personal protective clothing commenced in 2008/09 with 4500 sets of structural fire fighting garments distributed.		nil	
4 Water recycling pod	Achieve savings of up to 60 mega litres of water per annum during training exercises	MFESB achieving savings of up to 60 mega litres of water per annum during training exercises.	nil	Growing Victoria Together • Efficient use of natural resources
5 Introduction of Project Management framework	Introduce a more rigorous approach to project management	Adoption of the DTF's gateway model.	Department of Treasury and Finance	Growing Victoria Together • Sound financial management

22 National Gallery of Victoria

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1	Through *Masterpieces for Melbourne* restore the NGV's past buying power so that great historic and contemporary masterpieces can be added to the State Collection for generations to come.	Impact of global financial crisis was felt on: • Value of investment and income generated for purchase of works of art; and • Donor confidence where several pledges were deferred On other hand: • Acquisition activity remained strong through specific campaigns and gifts in kind; and • Cultivation of future donors and bequests remained key focus.	Funds under management fell by 14.5% in value. New funds raised for the purchase of works or art were 37% behind target. $12.2 million of new works of art acquired (Target of $6.5 million), 16 classified as "masterpieces" including *The Bar* which was specially supported by the Victorian Government 43% of campaign target for cash gifts and future pledges now achieved (nearly on plan)	Department of Premier and Cabinet Arts Victoria	Consistent with: **GVT**: *"building friendly, confident and safe communities – extent and diversity of participation in ... cultural organisations"* **Creative Capacity +** - *"developing artists ideas and knowledge"* and *"engaging creative communities"*

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
2	Continuation of website redevelopment phase of *Virtual NGV* to increase access to information and images relating to the State Collection and increase access to education programs.	Second stage of project to redesign website completed. Successful development of new online education materials, in collaborative partnerships.	New web architecture designed & technical specification finalised. Website design and selection of content management systems underway Commenced Phase 2 of the interactive whiteboard educational project Launched *Tradition and Transformation* new interactive resource to understand indigenous art and culture Launched *Deco Detective* with online image bank of submitted deco images from students throughout the world Nearly 10,000 new images loaded on website 1.9 million website visitors, 7% ahead of plan	Multimedia Victoria Department of Education and Early Childhood Development Victorian Curriculum and Assessment Authority	Consistent with: **GVT**: *"building friendly, confident and safe communities – extent and diversity of participation in ... cultural organisations"* **Creative Capacity +** - *"building creative industries"* and *"engaging creative communities"*
3	Delivery of regional and outer metropolitan program of *NGV Touring* to take the State Collection to wider audience in Victoria in collaboration with NGOs, private sponsors, other cultural institutions and other Victorian government agencies.	Regional touring objectives met and results on target.	Nearly 75,000 visitors to NGV touring exhibitions Four exhibitions toured in the year: *Lives and Times: a selection of works from the Victorian Foundation for Living Australian Artists, Gordon Bennett, Preserving the past, enriching the future: Hugh Williamson's legacy* and *Gallery Ark* Seven tour venues in the year, 5 in Regional Victoria	Arts Victoria Victorian Managed Insurance Agency	Consistent with: **GVT**: *"building friendly, confident and safe communities – extent and diversity of participation in ... cultural organisations"* **Creative Capacity +** - *"building creative industries"* and *"engaging creative communities"*

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
4	Through *NGV Kids* project to make the State Collection, exhibitions and facilities more accessible to children and families, thereby expanding and diversifying the audiences to include non-traditional visitors	All objectives achieved	*Gallery Ark* developed with focus on small children, showcasing 86 works from State Collection New space identified and acquired for *NGV Kids Corner* at Federation Square – dedicated children's gallery to open in late 2009 Pilot *Deco Kids* are operated at capacity, the first Melbourne Winter Masterpieces dedicated children's space Over 5000 children attended *Artcart* and *Artspark* free weekend activities in year Exhibition *The cricket and the dragon: Animals in Asian Art* opened – the first dedicated exhibition NGV International for children	Victorian Managed Insurance Agency Arts Victoria Federation Square Pty Limited	Consistent with: **GVT**: *"building friendly, confident and safe communities – extent and diversity of participation in ... cultural organisations:* **Creative Capacity +** - *"building creative industries"* and *"engaging creative communities"*
5	To focus on future development opportunities to create expanded facilities for the collections, especially highlighting Asia and the art of our region.	Ongoing contact with key stakeholders maintained. Enhancement of resources to support development of Asian Collections	No specific measure First full year for Supporters of Asian Art Group with substantial funds raised for key acquisitions.		Consistent with: GVT: *"building friendly, confident and safe communities – extent and diversity of participation in ... cultural organisations:* Creative Capacity + - *"building creative industries"* and *"creating place and space"*

23 Parks Victoria

Please refer to pages 9-66 of the Parks Victoria 2008-09 Annual Report for further discussion relating to program outcomes.

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome
1 Provide resources and support to fulfil Parks Victoria's fire management responsibilities to DSE in accordance with the model of fire cover and readiness and response standards.	Provided accredited staff and resources to support bushfire suppression during 2008-09 bushfire season, while also maintaining critical services.	780 personnel engaged in fire coordination and operational roles during the peak of the fire season. 1,008 staff days to business continuity activities to support critical services during bushfire season.
2 Undertake management planning for both existing, and the establishment of new, urban and regional parks and reserves.	Significant progress was made in the planning and establishment of new regional and metropolitan parks.	Point Nepean Quarantine Station transferred from the Commonwealth to the State. Funding provided to manage the site as part of the Point Nepean National Park and upgrade infrastructure. Commenced planning, for establishment of four new national parks and expansion of two existing national parks. Considerable work was completed to release draft and approved management plans for a number of parks. Whilst some existing Management plans for national parks were reviewed and extended for a further 5 years.
3 Develop the Bays and Maritime Initiative as a broad based whole of Government program, with strong support from key stakeholders.	Received whole of government endorsement for comprehensive policy and regulatory review of waterfront planning and development.	Review received whole of government endorsement in September 2008. Position statement was approved in April 2009. Additional government funding over 2 years was approved to progress the initiative. Finalised concept plans for key maritime precincts around Port Phillip and Westernport and developed master plan for Port Arlington Safe Harbour. Completed public consultation on the St Kilda Harbour concept plan, with 130 submissions received.

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome
4 Develop policies, plans and management tools to maximise liveability, sustainability, health and wellbeing.	Reach significant milestones in the planning and establishment of the new metropolitan parks.	Master plans released for public comment for Toolern Creek Regional Park, Werribee Regional Park and Merri Creek Parklands. Completed the following: community gardens at Braeside Park and Dandenong Valley Parklands, dog friendly area in Cardinia Creek Parklands, Tait Point trail and Buckley Falls steps in Barwon River Parkland, works at Point Gellibrand Coastal Heritage Park. Acquisition of 65.6ha of land for inclusion in the proposed Merri Creek Parklands through a transfer of land from VicRoads to Parks Victoria.
5 Implement the Indigenous Partnership Strategy and Action Plan to ensure Parks Victoria provides for consultation and participation with Traditional Owner and Indigenous communities and organisations in the planning and implementation of works involving Indigenous assets and values. Support Indigenous staff recruitment, induction, mentoring, training and career development.	Continued implementation of the Indigenous Partnership Strategy and Action Plan and worked effectively with co-management partners.	Participated in formalisation of a Co-operative Management Agreement for Mount Eccles National Park (Budj Bim) with the Gunditjmara People. Continued work with existing co-management partners. Completed fourteen Cultural Heritage Management Plans. Advertised fifteen indigenous positions across the state as part of an Aboriginal Group Recruitment program. Participated in the mediation of the North West Nations and the Gunai Kurnai Peoples native titles application of the north-west Victoria and Gippsland areas.
Other agencies involved	**Relationship to major government strategy**	
DSE, Heritage Victoria, DPCD, Mornington Peninsula Shire Council. DIIRD, Shire of Moira, DOJ, Native Title Services Victoria, DPI, Catchment Management Authorities. VicUrban, Zoos Victoria, Melbourne Water, Wyndham City Council, Shire of Melton, the Growth Areas Authority, Sport and Recreation Victoria, cities of Whittlesea and Hume, DPCD, DPI, VicRoads. DPCD	Aligns with Parks Victoria's role under the Emergency Management Manual Victoria. Melbourne 2030's goal 5.3 of improving community safety. Policy direction 5.4 to protect heritage places and values. Direction five – 'a great place to be'. Victoria's Nature Based Tourism Strategy 2008-2012 Direction 3, Priority 1f relating to increase Aboriginal tourism product offerings. Victoria's Coastal Strategy (2008) goal 1.5 relating to cultural values and heritage. A Fairer Victoria, particularly priority area three: improving health and wellbeing and priority area four: Developing Liveable Melbourne 2030 particularly with respect to providing public facilities for a very diverse and growing economy. Growing Victoria Together, in particular to clear environmental, social and economic dividends for the greater benefit of all Victorian's - now and for the future. Central Coastal Board Boating Coastal Action Plan and the Victorian Coastal Strategy.	

24 Port of Melbourne Corporation

PoMC has a detailed internal strategic planning and development process which involves extensive liaison with the community key stakeholders, relevant Government Departments and State Government Ministers. Large projects are extensively reviewed and include a benefit/cost analysis in relation to the boarder community. Projects such as the Channel Deepening Project went through extensive reviews by external parties and the Government to ensure this project would benefit Victoria and the Community. In addition to this the Treasurer authorises all projects over $50 million.

25 Royal Children's Hospital

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1	Achieve breakeven budget status	Operating surplus achieved	Quantitative	No	Growing Victoria Together
2	Continue to facilitate the process for the New RCH Project	Design program on target - user groups and reference groups formed and operational. Furniture, fittings and equipment (FF&E) planning commenced.	Quantitative and qualitative	Department of Health, Department of Treasury and Finance, Department of Premier and Cabinet	Growing Victoria Together
3	Enhance campus partnerships	Campus Council Research Committee established.	Quantitative	Murdoch Children's Research Institute (MCRI) and University of Melbourne (UoM)	Growing Victoria Together
4	Improve patient access	Outpatient appointment scheduling process redesigned. Theatre schedule redesigned and additional emergency sessions implemented. Cardiac coordinator implemented and access to paediatric intensive care unit improved.	Quantitative and qualitative		Growing Victoria Together
5	Provide safe and effective family-centred care	Australian Council of Healthcare Standards (ACHS) accreditation maintained.	Quantitative	No	Growing Victoria Together

26 Rural Finance Corporation

Rural Finance Corporation (RF) is responsible for administering a number of assistance programs on behalf of the State that includes the assessment of applications for assistance and the payment of funds to eligible participants. RF assesses applications for assistance against program criteria set by the Government Department responsible for the budget allocation of funds (generally the Department of Primary Industries). RF does not set the criteria or budget allocation and is therefore not responsible for the assessment of the effectiveness of Government programs but administers them efficiently.

27 South East Water Limited

South East Water's 2008-2011 Corporate Plan was based on the following three strategic directions:

- Providing customer water solutions;
- Delivering efficiency and growth; and
- Improving environmental and social outcomes.

Consistent with the above strategic directions, examples of key achievements during 2008/09 are as outlined on the next page:

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 Enhance out targeting of water conservation programs across residential, commercial, industrial and institutional sectors	South East Water has continued to work closely with residential, business and industrial customers to maintain the momentum around saving water. The 'Target 155' demand management program, together with broader water conservation initiatives, has proved to be successful. South East Water has also continued to work closely with our business and industrial customers to facilitate sustainable water use, including the WaterMAP program designed to help initiate water saving projects.	Average per capita consumption for the year was 159 litres per person per day (compared to 166 litres in 2007/08), conserving around 10 billion litres of water. Over the past year, we provided business water grants and water efficiency funding totalling $342,000 with estimated water savings of 130 million litres.	DSE	Our Water, Our Future
2 Continue out focus on water recycling, conservation and responsible management	We continued to grow our alternative water supply program, with additional customers joining the existing supply networks, and construction commencing on the Nepean Recycling program.	This involved the upgrade of the Boneo Sewage Treatment Plant to produce Class A recycled water at a cost of $7.2 million and the installation of nine kilometres of recycled water pipelines. The scheme will ultimately provide 3.2 billion litres of recycled water per annum for horticulture, golf courses and public open space. South East Water also serviced large scale residential developments with recycled water supplying over 1,600 customers in six residential estates.	DSE	Central Region Sustainable Water Strategy
3 Improve financial performance and efficiency	After a significant period of consultation, the Essential Services Commission resolved prices for the 2009/10 to 2012/13 period. The first year of these increased was implemented and communicated to customers. SE Water's alliance with Thiess Services and Siemens continued to deliver efficiencies and savings for our customers. The Melbourne metropolitan water business jointly established a Shared Services project, which has analysed operational and capital expenditure across the four businesses.	In 2008/09, the 'us' – Utility Services Alliance delivered $30.2 million in sales beyond our traditional water and sewerage services, representing a major revenue stream. 18 categories of cost reduction opportunities were investigated. One outcome was joint tenders for banking services and water meters.	ESC, VCEC	

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
4 Undertaken further customer research to develop a stronger understanding of our customers' needs. Invest in innovative new technologies and focus on innovation and ideas sharing,	SE Water has invested in a comprehensive research program to segment our entire residential customer base and conducted customer base and conducted customer 'insights' research so that we can understand customer wants and needs and thereby provide more tailored water solutions. We have continued to develop new products and services which meet our customers' needs while commercialising existing and new technologies to generate new sources of revenue.	Our tinkering service supplied 54.5 million litres of Class A recycled water and 10.8 million litres of groundwater to councils, local golf courses and road construction companies to help ensure flexible watering options for Melbourne's public spaces. We also successfully launched a rainwater tank initiative for residential customers.		
5 Re-assess our Vision, Brand and Guiding Principles and ensure our people understand how these support the achievement of our Strategic Priorities and Corporate Plan	A series of workshops were attended by staff keen to help shape South East Water's new Vision – Water Solutions for a Better Future. We also developed a structured Leadership Capability Framework to provide clarity on the leadership competencies expected of staff at different levels of the organisation to help us deliver against our Strategic Priorities. We reviewed our Corporate KPIs to ensure further rigour in the way we measure success.		DSE	

28 Southern Health

The items listed below are from our Statement of Priorities as agreed with the Minister for Health.

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1	Continue Implementation of HealthSmart	FMIS operating successfully. Patient & Client Management System in final implementation stages.	No issues with procurement or financial reporting. Software purchased.	All agencies Western, Peninsula	Statement of Priorities with Minister for Health
2	Financial Sustainability	Letter of Support from DHS	Operating Deficit	DoH	As above
3	Maximising Ambulatory Care	Commence implementation of Ambulatory Care Framework	Framework completed	DoH	As above
4	Capital, Equipment and Plant Management	Update and implement the capital plan including the equipment and plant replacement strategy	Plan updated and submitted to DoH	DoH	As above
5	Sustainability in environmental and transport issues	Continue to implement the environmental strategy	Progress made – refer Annual Report for update on water savings, energy savings, waste diverted from landfill and investment for the future.	DoH	As above

29 Transport Accident Commission

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1	Increased client satisfaction score	Overall satisfaction score of 7.62 out of 10 in June 2009.	The score exceeds both the 'KPI' target (7.52) and the 'Stretch' target (7.60).		
2	Provision of services and benefits to clients	$836.9m in support services			
3	Road Toll reduction	2008/09 the road toll was 303, compared with 332 in 2007/08		Victoria Police Department of Justice VicRoads	Arrive alive 2008 – 2017 strategy
4	TAC's relocation to Geelong	The scale of the move was the largest of any Victorian government body	Building was delivered on time and on budget		
5	Staff Morale index	Result of 75%	Compared to result of 72% in 2007/08		

30 Treasury Corporation of Victoria

TCV is an enabler of state strategy at a basic level and not a specified agent of the strategies as outlined in the question. Activities and strategies are not directly linked to the aforementioned State initiatives in a direct manner.

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1	Performance against Return on Capital and a Financial Institution Value Added (FIVA) target of $13.858m.	Performance against FIVA, was above target with a FIVA for the 2009 financial year of $39.829m compared to the annual budget of $13.858m.	See previous column	Nil	
2	To operate within the Value-at-Risk (VaR) limit	VaR is within limits for the year end performing in line with target	See previous column	Nil	

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
3	To maintain, on average, a positive spread to semi-government peers	The target is for the TCV yield curve to trade at or below it's semi government peer curves. The implementation of the Commonwealth Government Semi government guarantee scheme has negatively affected TCV spreads relative to our peer group in the longer maturities. After adjustment for the guarantee, TCV debt is trading at or below our peer group.	See previous column	Nil	
4	To maintain high levels of client satisfaction	Client satisfaction, is measured every two years by an independent client survey. The data presented was last updated in December 08, with a client satisfaction rating of 82%. The data presented in this report is unchanged from the last report.	See previous column	Nil	
5	To maintain or improve TCV's Human Capability Index	The Human capability index, is updated on a half yearly basis, in March and September. The information presented is a duplication of the results shown in the last report.	See previous column	Nil	

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
6 To obtain a five step financing advisory role in all PV project	The target is to achieve a financing role in the five steps of all PV projects, is strong at 84%. TCV achieved 100% success rate for the Biosciences Research project and the New Schools project, three out of five steps for the Melbourne Desalination project and four out of five steps for the Ararat Prison project and the Peninsula Link project.	See previous column	Nil	

Use of Deposits

TCV's business model review proposed increased use of "Core" deposits to fund client loans. The initiative was agreed with DTF and implemented as a policy directive ahead of changes to the Public finance act where directives will be made. The initiative was implemented through the course of the planning year, as assets matured. The recipient of these funds was the Public Sector Debt Portfolios.

TCV undertook a series of meeting with identified departments and agencies to "sell" TCV's services and ease the passage of the change.

Investigations through 2007-08 identified that a significant volume of funds reside within the Local Government sector. Significant interaction has occurred between the Treasury Client Services Team and this sector through the year, with some success. It appears likely however that Local Government will not be included in the proposed deposit arrangements, and TCV will continue to pursue it's program with this sector on a contestable basis.

Outcome: the process is well underway but will be ongoing.

Other Agencies involved: DTF

Implementation of the Risk Appetite Statement

Through the development of the Risk Appetite Statement, a number of changes in the way market risk is viewed and recorded have been noted by the Board, and further developed through this plan. Through the next planning cycle, those changes will be implemented and reviewed. Particularly, that may involve changes to the transaction booking structure to ensure appropriate recording of transactions against approved limits, and transparency in the attribution of revenue through discretionary risk taking activities.

Outcome: Achieved

Other Agencies Involved: Nil

Investor Relations

The changes to Interest withholding tax (IWT), and the introduction of a Commonwealth guarantee over state debt, provided an opportunity to further develop direct relationships with significant investors, both domestic and international. While this process has begun in the 2008-09 year, it remains a significant initiative for the new planning year. This will be particularly important to TCV given the state has not taken up the guarantee on existing debt. Accordingly a succession of "roadshows" are planned to engage the investment community, to explain whatever decision is taken regarding guarantees, and promote the resulting position.

Outcome: Achieved.

Other Agencies Involved: Nil

31 V/Line Passenger Corporation

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1	Increase patronage	Took delivery of thirteen additional V/Locity Intermediate units on lease Opening of a second railway station in Ballarat at Wendouree.	Passenger trips increased by 1.21mill or 10% 12% increase in Ballarat line patronage	Dept. of Transport	Victorian Transport Plan
2	Supporting implementation of myki in selected regional towns by June 2009 and across Victoria by December quarter 2010	At 30 June 2009, Victoria's new smartcard system for public transport passengers, myki, was operating on 320 regional buses in Geelong, Seymour, Ballarat, Bendigo, Warragul and the Latrobe Valley, including Moe, Morwell and Traralgon		Dept. of Transport Transport Ticketing Authority	Victorian Transport Plan
3	Improve safety of staff and customers throughout the V/Line network	Successful trial of Authorised Officer Pilot program	Decrease of anti-social behaviour on regional trains		Victorian Transport Plan
4	Increase customer satisfaction and relieve pressure at stations and onboard	Implementation of On-line Ticket Purchase	Booking through web interface has resulted in $50,000 of ticket sales per month that would otherwise have been sold at stations.		Victorian Transport Plan
5	Increase customer satisfaction through improved provision of information	Implementation of "Inform" which is an SMS customer and email communication system			Victorian Transport Plan

32 Victorian Energies Network Corporation

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome
1	Support National Gas Emergency Response Advisory Committee (NGERAC) with significant contingency analysis modelling.	VENCorp provided services to NGERAC in 2008 which included delivering the 2008 Contingency Planning Report. The Australian Energy market Operator (AEMO) will continue providing these services to NGERAC in 2009.	VENCorp delivers the 2008 Contingency Planning report, which is a national gas emergency planning report covering credible contingencies within the connected transmission systems in eastern Australia; and a national emergency exercise exploring industry response to a gas incident. The services include: • A national gas emergency exercise to test emergency procedures; • Maintaining computer models of the inter-connected south-east Australian gas transmission pipeline system; and this year adding the Queensland gas transmission system in Queensland; • Scenario modelling of the potential impacts and response strategies for major gas outages and incidents and summarising the results in a contingency Planning Report; and • Providing analysed support to NGERAC in the event of a major gas emergency.
2	Complete strategic projects identified in the Vision 2030 report including a strategic fault level review and a site easements review.	VENCorp published and update to Vision 2030 in May 2009. The Vision 2030 Update again considered the possible evolution of Victoria's electricity and gas transmission networks out to 2030. Work had been completed and continues on all of the issues highlighted in the original Vision 2030. In addition, the Vision 2030 Update highlighted three new issues for further consideration.	• **The operation of transmission networks in extreme weather:** In light of modelling predictions and recent events in Victoria, many stakeholders saw the performance of the transmission network under extreme weather conditions as a significant issue for the long-term future. This means that it is possible that climate change adaptation may become a significant driver of transmission investment in the future. • **The treatment of transmission energy losses:** On average, around 10 per cent electricity is lost transport between the supply source and the end-use customer. Under current arrangements, transmission network providers do not incur the cost of these losses; however, the short to medium term national focus on emissions reduction will increase attention on all forms of energy efficiency – including the end-to-end efficiency of the power grid. • National Transmission Use of System pricing: Currently, transmission network services are charged at each connection point using a regional pricing model. Prices are calculated separately for each jurisdiction and if, for example, large amounts of remote renewable generation must connect into the existing power grid, a new approach may be required, based on prices calculated over the whole national grid.

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome
3 Deliver gas and electricity Annual Planning Reports	Provide gas and electricity Annual Planning Reports	VENCorp delivered Victoria's Annual Planning Report (VAPR) which ensures that there are safe and reliable gas and electricity systems supplying energy to all Victorians. The purpose of the VAPR is to provide a 10 year outlook forecast for energy demand and supply, and further identifies future development needs for the gas and electricity transmission networks. Key items of interest: • Electricity summer maximum demand forecasts and overall energy forecasts; • Small network augmentations expected to be required within the next five years to overcome emerging constraints on the electricity network – several large network augmentations are also likely to be evaluated; • New entrant Gas Powered Generation (GPG) is expected to be commissioned in the medium term; • Installed wind generation will continue to increase over the next 10 years; and • Gas network augmentations are likely to be triggered by: increasing system demand, new entrant GPG and new patterns of flow in gas networks.
4 Lead the development of the Gas Statement of Opportunities for the Gas Market Leaders Group.	Scoped and commenced work on the new Gas Statement of Opportunities	The Gas Statement of Opportunities (Gas SOO) will be published for the first time in December 2009. The Gas SOO is an independent report providing industry participants and potential entrants a gas supply and demand outlook. The Gas SOO will examine the adequacy of Australian gas reserves, production, transmission and storage capacity to meet the long-term requirements of customers. The report will detailed information on the following: • Forecasts of gas demand over the next 30 years; • Forecasts of reserves, including coal seam methane, covering the next 20 years; • Committed augmentations to production. Transmission and storage infrastructure; • Outlook of production, transmission and storage capacity for the next 10 years; and • View of potential supply-demand imbalances. VENCorp has been driving the project, with support and leadership from the Gas Market Leaders' Group.

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome
5 Assisted the Gas Market Leaders' Group in delivering and operating the national gas market bulletin board and implementing the Short Term Trading Market.	Assisted the Gas Market Leaders' Group in delivering and operating the national gas market bulletin board and implementing the Short Term Trading Market.	• **Short Term Trading Market (STTM)** The Short Term Trading Market (STTM) is a new wholesale market being developed for the trading of gas in South Australia and New South Wales and is due to commence in June 2010. VENCorp has provided leadership and resources essential to the progress over the last 12 month and has been instrumental to the achievement of the outcomes to date, which include a completed detailed market design and draft legislation. The detailed market design for the STTM was developed under a point VENCorp-industry process. The outcome is a market design that achieves the goals and objectives defied by industry and the Ministerial Council on Energy (MCE). The objective set by MCE for national gas market development have guided the project and enabled it to achieve energy policy objectives of the participating jurisdictions. The implementation of the STTM involves the development of substantial market systems to underpin the market, equivalent to those that exist for the Victorian gas market but without its gas transportation systems. Work on implementation of the market systems for STTM proceeded to plan during the year. The implementation has employed advanced techniques and tools to increase the reliability and quality of the system. VENCorp also established a joint industry-jurisdictional approach to development of the rules, procedures, and legislation that will govern the STTM once it is established. These processes have been supported by VENCorp providing necessary expertise in market design, operations, and legal advice throughout, as well as project management, leadership and funding. • **Gas Market Bulletin Board (BB)** The national Gas market BB operated reliably and effectively throughout 2008-09. The BB has proven to be very successful in increasing transparency in the Australian gas market. The BB is unique in that it provides current and historical information on gas production, capacity, supply and demand for 44 transmission pipelines and production facilitates across Eastern Australia in a single location. Participants have been engaged by the BB as reflected in compliance level exceeding 99% in respect to provision of operational data on a daily basis and with BB reports being accessed about 1000 times per month.

33 Vic Roads

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 Road Infrastructure Improvements – Deliver planned safety infrastructure improvements across Victoria.	Vicroads exceeded planned number of safety infrastructure improvement projects across Victoria.	Planned projects – 258 Delivered projects – 263 Accelerated expenditure by approximately $8 million.	The Transport Accident Commission. Australian Department of Infrastructure, Transport, Regional Development and Local Government. Local Government.	Arrive alive 2008-2017 – Victoria's Road Safety Strategy. Auslink Blackspot Program.
2 Road Toll and Serious Injuries – Victoria's Road Safety Strategy arrive alive 2008-2017 aims to reduce deaths and serious injuries by a further 30% by 2017.	The arrive alive 2008-2017 strategy is well ahead of its pro rata target in 2008-09 with a reduction in both fatalities and serious injuries.	Target: 2.5% reduction in fatalities and a 2.5% reduction in serious injuries. Actual result: 10% reduction in fatalities and a 12% reduction in serious injuries.	The Transport Accident Commission. Victoria Police. Department of Justice.	Arrive alive 2008-2017 – Victoria's Road Safety Strategy.
3 Achieve Call Centre and Customer Service Centre performance stabilisation (Phase 1 of Customer Service Transformation program).	Stabilisation achieved in November 2008 - six months early. Performance in the Call Centre and Customer Service Centres has stopped declining and is increasing performance in both channels.	A 2% improved customer satisfaction result (93%) has been obtained and was in addition to an increase in the volume of transactions for the financial year.	Nil	Growing Victoria Together.
4 Impact of capital improvements to the transport network including:	Results from analysis of impacts of capital improvements (such as those highlighted below) cannot be determined until after studies are completed. These 'after' studies take approximately one to two years to finalise.			
Increased transport modal options for people based on the provision of improved, safer on-road and off-road bicycle facilities.	Additional cycling paths and lanes promoting sustainable transport modes and healthier lifestyles	Continued strong growth in cycling	Local councils	Victoria Cycling Strategy

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
Outer Suburban Roads	Additional road network capacity and enhanced on-road public transport operation - reduced user delays, enhanced safety, improved access and productivity	An example of such an enhancement is Taylors Road Rail Grade Separation - road duplicated and rail level crossing eliminated	Public Transport Division	Victorian Transport Plan
Road treatments, including resurfacing and strengthening	12,953,000 m^2 of pavement resurfacing achieved during 2008-09	Original target was 12,542,000m^2	Not applicable	Not applicable

34 Victoria Police

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1	Reduce the crime rate	1.7 per cent reduction for 2008-09 when compared with the same time the previous year	7,088 offences per 100,000		• A Fairer Victoria • Growing Victoria Together
2	Reducing the road toll and incidence of road trauma	Reduction in the road toll at the end of June 2009 (302 deaths compared to 330 in 2007-08)	For the financial year 2008-09, road deaths have been reduced by 9.3 per cent (28 fewer than 2007-08)	VicRoads TAC	• arrive alive!
3	Connecting the Community - Improving Community Confidence	At the end of 2008-09, Confidence in Police declined slightly (by 0.4 per cent) from 82.4 per cent at 30 June 2008 to 82.0 at June 2009. Despite the decline, confidence levels for Victoria Police are still above the national average	Police Confidence achieved 82.0 percent for 2008-09, slightly below the 82.4 per cent target.		• A Fairer Victoria • Growing Victoria Together

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
4	Connecting the Community – Increasing Satisfaction with Police Services	At the end of 2008-09 customer satisfaction was at 83.3 per cent, which is an increase of 0.3 per cent from 2007-08 and remains significantly above the national average	Customer Satisfaction exceeded the 2008/09 target of 83.1 per cent by 0.2 per cent		• A Fairer Victoria • Growing Victoria Together
5	Protecting our people – improving health, safety and wellbeing	Reduced injuries, reduced days lost to new injuries, demonstrated an improvement in wellbeing and safety system audit scores across the organization and reduced the Workcover premium	Over the last three years there has been a 29 per cent reduction in injuries, 31 per cent reduction in days lost to new injuries, improved wellbeing and safety system audit scores and reduced Workcover premium by 6.5 million	Workcover Victoria	• A Fairer Victoria

35 Victorian Funds Management Corporation

1. New strategic asset allocations were agreed and implemented for client portfolios during 2008-09.
2. VFMC, working with EES Super rolled out two separate products which entailed the separation of assets of the Accumulation Funds from the Defined Benefit Scheme and subsequent launch of the two portfolios.
3. Motivated by the desire to both reduce fees and move closer to the market, VFMC internalised the management of the Inflation Linked Bonds Portfolios during 2008-09.
4. Internal management of the Infrastructure portfolio was extended with the acquisition of the North Queensland Pipeline Gas Pipeline.
5. The Simcorp Dimension portfolio management platform was further tested and developed to achieve the anticipated outcomes.

36 Victorian Managed Insurance Authority

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1. **Enhanced protection of Victoria's assets, via:** • **Site Risk Survey (SRS):** Conduct SRS's for significant assets, 2008-09 Target/s: ○ Increase in number of SRS undertaken over 2007-08 levels ○ 96% of all scheduled SRS completed on time. • **Victorian Clients' Asset Register (VCAR):** Further development of the VCAR, through implementation of asset valuation tools to improve the quality and consistency of asset data. • **Plain-English Policies:** As part of a review and refinement of reinsurance and insurance product strategies and processes, create on-line templates to enhance clarity and consistency of Insurance Policy language.	**SRS outcome:** During 2008-09, the VMIA increased the number of SRS's conducted from 90 to 122. Prior to the February Bushfires, all 66 planned SRS's were conducted on time or with immaterial delays. In the second half of the year, 36 SRS's were completed. This led to a full-year result of 94% of SRS's (122 of a scheduled 128) being completed. **VCAR Progress:** The VCAR has now been established, with ongoing data population of the asset register a priority for 2009/10. **Initiative Progress:** Policy wording templates were completed as per planned schedule. All updated wordings are now in new, consistent style guide which is available to all insurance staff on the VMIA intranet.	**SRS Outcome:** Overall client satisfaction with the VMIA's risk services increased from 77% (satisfied or better) in 2007-08, to 78% in 2008-09. Timeliness of SRS completions was slightly down on last year's performance. However an extra 32 sites were assessed for the Department of Education and Early Childhood Development (DEECD), as part of the Bushfire Refuge Review. This report was subsequently called before the Bushfire Royal Commission. **VCAR Progress:** As a side-benefit of the VCAR, the VMIA has worked with the LanData team in the Department of Sustainability and Environment (DSE) to geo-spatially map all individual assets in VCAR valued in excess of $10m. This allows the VMIA to more accurately represent the State's risks to the insurance market. **Initiative Outcome:** Overall client satisfaction with the VMIA's services increased rrom 77% (satisfied or better) in 2007-08, to 78% in 2008-09.	**SRS:** All VMIA client agencies. DEECD was involved in the review of school-based fire refuges. DSE (LanData)	All VMIA insurance (asset protection) and risk management services to clients contributed to the pursuit & achievement of all ten themse in Growing Victoria Together (GVT)

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
2. **Enhanced whole-of-government risk management via:** • **Training:** Delivery of risk management training and learning products to VMIA clients. 2008-09 Target/s: o >1,900 participants o >25% increase in learning programs over 2007-08 levels. • **Climate Change Strategy:** Development of a statewide strategy to assist VMIA clients respond to the risks of Climate Change. • **Risk Framework Quality Reviews (RFQR's):** Conduct of enterprise-wide "RFQRs". 2008-09 Target/s: o >65 RFQR's in 2008-09 (20% up on 2007-08)	**Training outcome:** During 2008-09, the VMIA ran 155 training and development sessions to 2693 participants. This was an increase of 41% on the previous financial year. **Initiative progress:** During 2008-09, the VMIA supported the Metropolitan Fire and Emergency Services Board (MFESB) by facilitating the 'Victorian Emergency Services – Climate Change Response Strategy Workshop', which included representatives from all key emergency service organisations, Parks Victoria, the Department of Sustainability and Environment and the Department of Human Services. **RFQR outcome:** A total of 54 RFQRs were completed in 2007-08, and the aim in 2008-09 was to increase this number to 65. However, only 53 RFQR's were completed in 2008-09.	**Training outcome:** Overall client satisfaction with the training and development programs was 83%. **Initiative outcome:** In developing the VMIA climate change risk management strategy, the VMIA has been mindful of the progression of the State's draft Green Paper on Climate Change which will establish the Government's role in helping the community adapt to, and manage the economic and environmental risks of climate change. The aim of the VMIA climate change risk management strategy is to "develop partnerships, tools and training programs to promote integration of climate change considerations into the risk management practices of VMIA clients and to develop partnerships and leverage global knowledge of the impacts of climate change. **RFQR Outcome:** Underperformance was mainly due to the impact of the February bushfires, which cuased a number of RFQR's planned for 2008/09 to be rescheduled to late 2009.	Police, SES, MFESB, CFA, Parks Victoria, DSE, DHS, DPC, DTF	

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
3. Critical Risk Management (CRM) strategy: Contribute to improved patient safety in Victorian public hospitals by identifying and mitigating circumstances that put patients at risk of harm.	**CRM outcome:** The VMIA's CRM strategy has been embraced by public hospitals, and a number of priorities were commenced in 2008-09 to support the realisation of this strategy. The priorities which commenced in 2008-09 include: • Victorian Health Incident Management System (VHIMS) • Patient Safety Culture Survey Project (in partnership with the Victorian Quality Council) • Emergency Department Forum, the aim of which is to review claims trend data (specific to emergency departments) and consider ways of reducing harm to patients by identifying better practice initiatives that have already demonstrated risk reductions, and • Clinical Data Analysis Project.	**CRM outcome:** The PAEC 87th Report, tabled in Parliament on 2nd June 2009 and in a subsequent Hearing on 23rd September 2009 (which heard evidence on the progress of the various CRM priorities), both included supportive comments on VMIA's role in Clinical Risk Management. The 87th Report included findings that: "VMIA assumed an active and lead role in the provision to public sector entities of a wide range of guidance material and support tools, to assist their risk management practices. Weaknesses in department, interagency and state-wide risk management point to the need for VMIA to place emphasis on their nature and importance in future".	DHS Victorian Quality Council Major Public Hospitals	The VMIA's Clinical Risk Management activities relate to the GVT theme of "high quality, accessible health and community services".

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
4. **Black Saturday Bushfire responses** The VMIA's work in responding to the 7th February 2009 "Black Saturday" bushfires, was not a planned outcome. However, this work has consumed a significant amount of VMIA resources and energy in 2008-09, and reporting of outcomes is germane and material to this submission.	**Bushfire Response Outcomes:** At the end of June 2009, the VMIA had: • Established a dedicated Bushfire Response Team, working in close collaboration with the Victorian Bushfire Reconstruction and Recovery Authority (VBRRA) to assist in the prompt assessment and settlement of claims and the facilitation of early payments, to assist in recovery efforts • Finalised five claims valued at $5.5m (from an estimated total exposure of >$72m) • Negotiated with the State's catastrophe re-insurers to ensure optimum coverage for restitution of costs exceeding the $55m re-insurance threshold • Assisted the Department of Education and Early Childhood Development (DEECD) in a comprehensive review of the adequacy of fire refuges across 32 primary schools in bushfire prone areas • Reimbursed $2.76m for legal costs incurred by clients relating to representation before the Victorian Bushfire Royal Commission (VBRC) (as at the date of writing, this figure for legal costs has increased to $34.035m), and • Chaired (now quarterly) meetings of the State Emergency Mitigation Committee.	**Bushfire Response Outcomes:** The VMIA is also working with the Victorian Government Solicitors Office (VGSO) to identify potential liabilities and risk exposures for the State arising from evidence which might be led before the VBRC, and/or implementation of the VBRC's Interim Recommendations.	DEECD, VGSO, VBRRA, VBRC, CFA, Victoria Police, DSE	The VMIA's Bushfire response activities relate primarily to the GVT theme of "building friendly, confident and safe communities", and to a lesser extent, to the GVT themes of: • Protecting the environment for future generations, and • Sound financial management.

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
5. Risk-rated Premium Allocation Model Trial a new approach to calculating clients' annual insurance premiums, from one based solely on past claims history, to a model that also takes into account a client's risk management framework/ maturity.	**PAM outcome:** During 2008-09, the VMIA developed and commenced a two-year trial of the new PAM in the Clinical Health areas of the Department of Human Services with a view to eventually extending this model to the general government sector.	**PAM outcome:** The anticipated benefits of the PAM (some of which are already emerging) include: • More accurate assessment of risks and the total costs of medical indemnity claims • Not penalising public hospitals for externalities beyond their control • Protecting and supporting clinical health service delivery, and • Providing incentives to improve and invest in risk management.	DHS	All VMIA insurance (asset protection) and risk management services to clients contribute to the pursuit & achievement of all ten GVT themes.

37 Victorian Skills Commission

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1. *Innovation: Victoria's Future. Innovation Statement*	Developed, launched and commenced implementation of this major statement which provides $300m in new funding to further develop Victoria's innovation capabilities in tackling sustainability, health and productivity issues.	Too early for data to be available		GVT, Action for Victoria's Future (AVF) and Innovation Statement
2. *Securing Jobs for Your Future – Skills for Victoria.*	Developed, launched and commenced implementation of this statement which represents the most fundamental reform of Victoria's skills system in decades. The $316m overhaul of Victoria's training sector will increase the capacity of our Vocational Education and Training (VET) system to train thousands more students and to deliver the higher level skills that Victorian industries need	Too early for data to be available		GVT, AVF
* Funding of public and private Registered Training Organisation to meet Victoria's skill needs.	Training delivered to meet Victoria's skill needs.	In 2008 87.4 million government funded student contact hours were delivered (to all providers, VET only)		GVT, Maintaining the Advantage
3. *Building Our Industries for the Future – Action Plans for Victorian Industry and Manufacturing Sector.*	Developed, launched and commenced implementation of this statement designed to provide targeted support to maximise a number of sectors' ability to compete internationally, including automotive, defence, aviation and financial services.	Too early for data to be available		GVT
4. Facilitation of new investment projects.	Facilitated new investment projects valued at $3.07b, which stands to generate more than 3,800 new Victorian jobs.	$3.07b new investment More than 3,800 new jobs Investment facilitation provided to 287 investment projects with a total potential capital expenditure of $20b $35.24m committed under the Investment Support Program Facilitation of 853 jobs and $103.4m capital expenditure in the ICT sector		GVT, AVF

38 Victorian Urban Development Authority

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 New Projects Secured In 2008-09 VicUrban set a target to acquire sites that would deliver more than 1000 future dwellings with an emphasis on established areas.	Land was secured that would deliver more than 4000 dwellings.	Securing sites at Maribyrnong, Craigieburn and Mooroolbark will yield more than 4000 future dwellings. The redevelopment of Maribyrnong will lead to the building of a new suburb and reflects VicUrban's increasing emphasis of facilitating the development of homes in established areas. The variance is due to the inclusion of the Maribyrnong Defence Site. It was not included in the original target as there was no certainty that VicUrban would secure this site.	N/A	Growing Victoria Together Melbourne 2030 Melbourne@5 million
2 Well Located Affordable Rental Housing VicUrban sought to initiate two projects which incorporate an element of affordable rental housing.	Three projects were initiated that incorporate an element of affordable housing. These projects are in different stages of completion.	VicUrban was successful in initiating a number of affordable rental projects in 2008-09, namely: • Docklands – creating 57 key worker homes developed in partnership with Lend Lease and Melbourne Affordable Housing (Completed) • Avondale Heights – creating approximately 100 National Rental Affordability Scheme affordable rental units (To commence) • Lynbrook – working with an affordable housing agency to deliver approximately 48 affordable rental units (To commence).	Office of Housing and Affordable Housing Associations.	Growing Victoria Together A Fairer Victoria Melbourne 2030 Melbourne@ 5 million

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
3 Sustainability Excellence Across the Portfolio Using the Sustainability Community Rating (SCR) planned outcomes are set for a range of projects covering: • Commercial success • Community wellbeing • Environmental leadership • Urban design excellence • Housing affordability The target for 2008-09 was to achieve, in delivery, more than 90% approved SCR planned outcomes	Projects assessed met 92% of the planned sustainability outcomes.	Ten projects were assessed using VicUrban's Sustainable Community Rating tool, comparing planned vs delivered outcomes. In 2008-09 VicUrban met its target in sustainability excellence. VicUrban's excellence in sustainability was also recognised by both industry peers and international bodies. The Tenterfield project won the National Urban Development Institute of Australia (UDIA) award for Affordable Development (2009) and Cheltenham Green won the Victoria UDIA award for Excellence in Urban Design (2008). In addition, the Clinton Foundation, in 2009, included VicUrban's projects at Officer and Victoria Harbour, Docklands in its global Climate Positive Development Program	N/A	Growing Victoria Together Our Environment Our Future: Victoria's Environmental Sustainability Franework
4 Competitively Priced Land This indicator relates to the % of land sold in the lowest price quartile of the local markets in which VicUrban operates. In 2008-09 VicUrban sought to deliver more than 40 % of its land sales in the lowest quartile of local markets.	Delivery of 44% of land sales in lowest quartile of local markets.	VicUrban measures its land sale prices against market sales data for each sub-market.	N/A	Growing Victoria Together A Fairer Victoria Melbourne@ 5 million

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
5 Delivery of Dandenong Revitalisation This indicator relates to the cumulative development value completed or under construction as part of this initiative. The cumulative target for 2008-09 was $70 million.	$77 million	The cumulative development value of works completed or under construction as part of the Dandenong project exceeded target. This included the Grenda development, the Deal Corporation project and the redevelopment of Dandenong market.	Department of Planning and Community Development	Growing Victoria Together Melbourne 2030 Melbourne@ 5 million

39 *Victorian WorkCover Authority*

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 Improved workplace health and safety measured by a reduction in claims per 1000 workers reduced to 10.4	Claims per 1000 workers reduced to 10.8	Lowest injury rate on record Lowest number of claims on record	Victoria Police & emergency services Other state OHS organisations (via eg HaSPA, Senior OHS Roundtable)	10 year National OHS strategy 2002 (Australian Safety and Compensation Council formally NOHSC)
2 Improved sustainable return to work measured by 79.5% of injured workers at work 14-19 months post injury reported	76.1% of injured workers at work 14-19 months post injury reported	We are responding to the deterioration in sustainable RTW (impacted by the current challenging economic environment) by targeted strategies (including targeting case management to downsizing employers & directing the Return to Work Inspectorate to larger employers	Transport Accident Commission (via Health Services Group joint RTW focus)	
3 Client satisfaction increased to 84.6%	Client satisfaction at 85.2%	Record employer and worker representative satisfaction with inspectorate. Improved overall client satisfaction	Transport Accident Commission (via Community Integration Program)	
4 Long term scheme viability ensured with $225m actuarial release	$78m actuarial release	Improved scheme management resulted in the eighth successive full-year actuarial release	VFMC	Prudential Supervision and Performance Measurement Framework
5 Breakeven premium rate of 1.25%	Breakeven premium rate of 1.263%	Average premiums reduced to a record low of 1.387% of payroll as a result of a fifth consecutive annual premium reduction	VFMC	Government commitment to provide a fairer simpler and affordable premium

40 Victorian Rail Track

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 Upgraded safety protection at 45 level and pedestrian crossings	Safety protection upgraded at 45 level and pedestrian crossings	No. of crossings upgraded	Department of Transport, V/Line and ARTC	Victorian Transport Plan
2 Upgrading of disability access at 21 pedestrian crossings	Disability access upgraded at 16 pedestrian crossings and installed at 18 pedestrian crossings.	No. of crossings upgraded	Department of Transport, V/Line and ARTC	Victorian Transport Plan
3 Active Advance Warning Signs (AAWS) installed at 16 crossings	AAWS installed at 22 crossings and planned for a further 16 pedestrian crossings.	No. of upgraded crossings	Department of Transport and V/Line	Victorian Transport Plan
4 Completion of roll-out of fibre optic cable (FOC) to all metropolitan stations for CCTV coverage and other uses	Roll-out of FOC completed to all metropolitan stations	FOC provided to 202 stations	Department of Transport	Victorian Transport Plan
5 Completion of telecommunications network for KAMCO (for Myki)	Completion of telecommunications network	Commissioning of more than 420 fixed line and 4,500 wireless services	Department of Transport, Transport Ticketing Authority, V/Line	Victorian Transport Plan

41 Western Health

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1 Safe and Effective Patient Care	1.1 Implementation of the maternity caseload model consistent with the 'Future Directions for Victoria's Maternity Services.'	• Renovation of clinical facility now complete. • Staffing profile has been recruited to. • Stages 1 through to 4 of the case loading plan have been implemented.	Not Applicable	
	1.2 Implement winter demand strategy and develop 2009-10 winter demand strategy (including rollout of 8 Williamstown beds, residential care in-reach program at WH and expansion of hours of Intensive Care Unit liaison nurse coverage.	• Identified clinical space has been made available to ensure anticipated demand will be satisfied. • Implementation of Residential Care In Reach program concluded. Program subsequently extended to second site. • Intensive Care Unit nurse liaison coverage expanded.	Not Applicable	
	1.3 Deliver elective surgery strategy.	• Theatre management matrix concluded and implemented. • Delivery of elective surgery targets continues to be in accordance with expectations.	Not Applicable	
	1.4 Participate in the Redesigning Hospital Care Program, including completion of the redesign capability building process.	• Funding received for two projects under the Redesign Program. • Program deliverables have been met for each initiative.	Not Applicable	
	1.5 Develop home haemodialysis service consistent with transition to renal hub status and Renal Services Plan, including training facility.	• Dialysis services now consolidated at two key delivery sites. • Home training program and adoption of home haemodialysis exceeding initial targets.	Not Applicable	
2 People and culture	2.1 Continue to implement Building Positive Attendance Program.	• Program has been implemented, the training and culture change aspects have been well received. • Improvements in unplanned absenteeism are noted.	Not Applicable	

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
3 Community and Partnerships	3.1 Review and strengthen relationships between external mental health agencies and emergency services, via an SLA and liaison meetings.	• SLA finalised between relevant parties. • Regular liaison meetings continue. • Patient access to facility has improved.	Not Applicable	
	3.2 Continue to align palliative care services with Regional Palliative Care Consortium, via consortium and clinicians meetings.	• Participation in Regional Palliative Care consortium continues. Neutral understanding continues to grow. • Currently incorporating the Palliative Care system into our Cancer Services Plan.		
	3.3 Improve care for aboriginal patients and strengthen partnerships with community based aboriginal organisations, via recruitment of a liaison officer and a partnership agreement with Department Employment Workplace.	• Aboriginal liaison position recruited. • Model implemented to increase identification of aboriginal patients. • Ongoing partnership interfaces maintained.		
4 Research and Learning	4.1 Actively participate in Clinical Networks with a focus on Stroke, Maternity, Renal and Emergency Services via governance meetings, attendance at education forums and providing key personnel at the network level.	• Western Health continues its involvement in the Stroke, Maternity, Renal and Emergency Services clinical networks. • Involvement is evidenced through ongoing participation in governance meetings and attendance at education forums.	Not Applicable	
5 Self Sufficiency and Sustainability	5.1 Achieve agreed financial outcome.	• Financial results were reviewed internally on a regular basis and final result was consistent with broad departmental guidelines.	Not Applicable	
	5.2 Implement endorsed revenue, expenditure, workforce and productivity initiatives and to report monthly against the same.	• A series of initiatives were identified at the outset of the financial period, these were monitored on a regular basis and delivered the profile target.	Not Applicable	

Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
	5.3 Deliver funded capital and infrastructure works at Williamstown (lift), Western Hospital (wards / infrastructure) and Sunshine Hospitals. Including key staff participation in meetings and lodgement of expenditure claims to DoH.	• Funded works at Williamstown and Footscray facilities concluded (on time and on budget). • Program at Sunshine is ongoing and continues to be delivered within the governance framework as agreed by the department.	Not Applicable	
	5.4 Complete implementation of HealthSMART P&CMS Project.	• Successful P&CMS product go-live occurred in April 2009.	Not Applicable	
	5.5 Commence implementation of outpatient redesign project, including appointment of project manager and draft of clinical guidelines and tool developments.	• Recruited to the position of Outpatient Redesign Program manager. • Clinical guidelines and triage tool developed in Orthopaedics, Colorectal, Neurosurgery and Neurology. • Alcidion modules (software platform) established to link outpatients with Pathology and Radiology	Not Applicable	
	5.6 Actively work with the HealthWest partnership to promote an integrated model of care for the West, via participation in various meetings, consultation with Western Health staff and testing of model with existing services.	• Regular participation on Board, Project Control and Project Steering Group is ongoing. • Integrated model of care tested with existing services successfully.	Not Applicable	

42 Yarra Valley Water Limited

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
	Customer				
1	The Northern Sewerage Project (NSP) is an essential investment in infrastructure that is critical to servicing customers in Melbourne's growing northern suburbs and for protecting the health of our waterways. Continue the construction of the project and by 30 June 2009 forecast to be 34% complete with expenditure of $45.1 million.	Completed a 2.1 km tunnel section between Coburg and Fawkner. Expenditure of $32.4 million during 2008/09. The project is 34% complete and is scheduled for completion in 2012.		Melbourne Water	Melbourne 2030 (2002)
2	Mernda Doreen Sewer Project will provide a sewerage outlet for 16,000 new lots and allow for the decommissioning of septic tanks at existing properties in Mernda. Complete construction by 30 June 2009.	Completed the three year $65 million project.			Melbourne 2030 (2002) State Environment Protection Policy (Waters for Victoria)
	Environment				
3	Aurora sewage and recycled water treatment plant to be commissioner by 30 June 2009.	Commissioned the plant and launched the supply of class recycled water for domestic use in the Aurora development in March 2009,			Our Water, Our Future (2004)

	Planned outcome to be achieved in 2008-09	Description of actual outcome achieved in 2008-09	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
4	Water Conservation – Showerhead exchange program to reduce water consumption of Yarra Valley Water's customers.	Our free showerhead exchange program saw customers exchange 49,759 old showerheads for new, water-efficient ones. We have exchanged more than 130,000 showerheads since the programs inception in 2006/07.	In 2008/09 we exchanged 49,759 showerheads. Residential water consumption fell from 164 to 158 litres per person per day.		Our Water Our Future (2004)
	Efficiency				
5	Water Plan – to submit and have accepted a water plan that reflects the requirements of the business in providing services to our customers.	Developed our pricing submission to the Essential Services Commission. This has strengthened our financial performance and our capacity to deliver services to customers.	The Essential Services Commission determination largely reflected our proposed operating and capital expenditure.	Essential Services Commission	

APPENDIX 3: ACRONYMS AND ABBREVIATIONS

ABS	Australian Bureau of Statistics
ACEM	Australasian College of Emergency Medicine
AFMA	Australian Fisheries Management Authority
AIM	Achievement Improvement Monitor
ANZSOG	Australia and New Zealand School of Government
AOC	Actual Outturn Cost
AOD	Alcohol and Other Drug
ARTC	Australian Rail Track Corporation
ASR	Aquifer Storage and Recovery
ATC	Australian Transport Council
BCA	Building Code of Australia
BIC	Bus Inspection Certificate
BP3	Business Assistance Package
BRSU	Bushfire Recovery Service Unit
BTF	Better TAFE Facilities
CAD	Central Activities District
CaLP Act	*Catchment Management and Land Protection Act 1994*
CBA	CBA Hardware and Service Leasing Agreement
CBI	Community Building Initiative
CCS	Carbon Capture and Storage
CEO	Chief Executive Officer
CEPR	Customer Experience Performance Regime
CFA	Country Fire Authority
CIO	Chief Investment Officer
CIRA	Competition and Infrastructure Reform Agreement
CMA	Catchment Management Authority
COAG	Council of Australian Governments
CPRS	Commonwealth Government's Carbon Pollution Reduction Scheme

CRF	Community Recovery Fund
DA	Dairy Australia
DDA	Disability Discrimination Act
DEECD	Department of Education and Early Childhood Development
DHS	Department of Human Services
DIIRD	Department of Innovation, Industry and Regional Development
DOH	Department of Health
DOJ	Department of Justice
DOT	Department of Transport
DPC	Department of Premier and Cabinet
DPCD	Department of Planning and Community Development
DPI	Department of Primary Industries
DSE	Department of Sustainability and Environment
DTBV	Donor Tissue Bank Victoria
DTF	Department of Treasury and Finance
EAP	Enterprise Action Plan
EBMP	Environmental Best Management Practice
EC IRS	Exceptional Circumstances Interest Rate Subsidy
ED	Emergency Department
EIF	Education Investment Fund
EMS	Environmental Management System
EPA	Environment Protection Agency
ESAS	*Our Environment Our Future Sustainability Action Statement 2006*
ESC	the Victorian Essential Services Commission
ESL	English as a Second Language
ESP	Economic Stimulus Package
ETIS	*Energy Technology Innovation Strategy*
ETS	Efficient Technology Services
FCRC	Financial and Consumer Rights Council

FMA	*Financial Management Act 1994*
FRD	Financial Reporting Direction
FTE	Full Time Equivalent
GFC	Global Financial Crisis
GG	General Government sector
GHSAR	Grain Handling and Storage Access Regime
G-MW	Goulburn-Murray Water
GP	General Practitioner
GRDC	Grains Research and Development Corporation
GSERP	Government Sector Executive Remuneration Panel
GSG	Government Services Group
GSP	Gross State Product
GVP	Gross Value of Production
GVT	*Growing Victoria Together*
HiiP	Housing Integrated Information Program
HVSC	Heavy Vehicle Steering Committee
ICMS	Integrated Courts Management System
ICT	Information and Communications Technology
IER	Ignite Energy Resources
IHOP	Innovative Housing Opportunities Program
IPR	Indirect Potable Replacement
IT&E	IT procurement project
KPI	Key Performance Indicator
LBT	Licensed Bus Tester
LLEN	Local Learning and Employment Network
LRMP	Local Roads to Market Program
LTIP	Long Term Incentive Program
MBI	Market Based Instruments
METROL	Metropolitan Train Control Replacement Project

MFG	Mexican Feather Grass
MH	Mental Health
MLA	Meat and Livestock Australia
MPV	Major Projects Victoria
MRC	Melbourne Recital Centre
MSOAP	Medical Specialist Outreach Program
MTC	Melbourne Theatre Company
MTM	Metro Trains Melbourne
NAPLAN	National Assessment Program – Literacy and Numeracy
NCR	Non-Conformance Report
NEO	Networked Emergency Organisation
NFPS	Non-Financial Public Sector
NLIS	National Livestock Identification System
NOP	Non-Owner Participant
NP	National Partnership
NPA	National Partnership Agreement to Deliver a Seamless National Economy
NRCA	Natural Resource and Catchment Authority
NRIP	Natural Resource Investment Program
NWP	New Workforce Partnerships
OSTC	Office of Science and Technology
PAD	Passive Alert Detection
PAEC	Public Accounts and Estimates Committee
PCMS	Patient and Client Management System
PCN	Potato Cyst Nematode
PFC	Public Financial Corporations sector
PFFs	Project Fire Fighters
PFM	Programmed Facility Management
PNFC	Public Non-Financial Corporations
PPP	Provincial Pathways Program *or* Public Private Partnership

PSP	Precinct Structure Plans
PTSV	Public Transport Safety Victoria
QFF	Queensland Fruit Fly
R&D	Research and Development
RAF	Regional Aviation Fund
RCH	Royal Children's Hospital
RDC	Research and Development Corporation
RDV	Regional Development Victoria
RFR	Regional Fast Rail
RIDC	Regional Infrastructure Interdepartmental Committee
RIDF	Regional Infrastructure Development Fund
RNL	Regional Network Leader
ROCSID	Register of Complaints and Serious Incidents and Discipline
RTBU	Rail, Tram and Bus Union
RWAV	Rural Workforce Agency, Victoria
SCO	State Coroner's Office
SCRT	School Community Reference Teams
SMICS	Southern Melbourne Integrated Cancer Service
SoWs	Statement of Works
SSF	State Superannuation Fund
SSSOs	Student Support Services Officers
SSTF	Safe Streets Task Force
STDF	Small Towns Development Fund
STI	Short Term Incentive
TAFE	Tertiary and Further Education
TEC	Technical Education Centre
TIIFT	Training Infrastructure Investment for Tomorrow
TLCF	Teaching and Learning Capital Fund
TOC	Target Outturn Cost

TOPS	Train Operation Performance System
TRP	Total Remuneration Package
TSO	Transport Safety Officer
UDP	Urban Development Program
VAGO	Victorian Auditor-General's Office
VBCMS	Victorian Bushfire Case Management Service
VBRC	Victorian Bushfires Royal Commission
VBRRA	Victorian Bushfire Reconstruction and Recovery Authority
VCAL	Victorian Certificate of Applied Learning
VCASS	Victorian College of the Arts Secondary School
VCAT	Victorian Civil and Administrative Tribunal
VCE	Victorian Certificate of Education
VENCorp	Victorian Energies Network Corporation
VET	Vocational Education and Training
VETiS	VET in Schools
VFF	Victorian Farmers Federation
VFMC	Victorian Funds Management Corporation
VGPB	Victorian Government Purchasing Board
VGRMF	*Victorian Government Risk Management Framework*
VIAF	*Victorian Indigenous Affairs Framework*
VICERS	Vigilance Control and Event Recording System
VicTrack	Victorian Rail Track
VicUrban	Victorian Urban Development Authority
VIFM	Victorian Institute for Forensic Medicine
VIP	*Victorian Implementation Plan*
VIPP	*Victorian Industry Participation Policy*
VJP	Visiting Journalists Program
VLDC	Victorian Leadership Development Centre
VLSAC	Victorian Local Sustainability Advisory Committee

VMIA	Victorian Managed Insurance Authority
VPP	Victoria Planning Provisions
VPS	Victorian Public Service
VRAR	Victorian Rail Access Regime
VSA	Victims Support Agency
VSC	Victorian Skills Commission
VTD	Victorian Taxi Directorate
VTP	*Victorian Transport Plan*
WAA	Works Approval Application
WAT	Wheelchair Accessible Taxi