



# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

**96<sup>th</sup> REPORT TO THE PARLIAMENT**

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## **Report on the 2010-11 Budget Estimates – Part Three**

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# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

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**Parliament of Victoria**  
**Public Accounts and Estimates Committee**

*Report on the 2010-11 Budget Estimates – Part Three*

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This series of reports on the 2010-11 budget estimates will consist of three parts, which include:

### **Part One**

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- an analysis of the key aspects of the 2010-11 Budget;
- an index of key matters raised at the first 22 budget estimates hearings (from 10 to 14 May 2010);
- transcripts of proceedings of those hearings;
- details of further information to be provided and questions on notice for each portfolio; and
- further departmental information provided by departments in response to the Committee's budget estimates questionnaire.

### **Part Two**

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- an index of key matters raised at the remaining 20 budget estimates hearings (from 17 to 20 May 2010);
- transcripts of proceedings of those hearings; and
- details of further information to be provided and questions on notice for each portfolio.

### **Part Three**

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- a detailed analysis, including recommendations, relating to the budget estimates for 2010-11;
- information relating to responses received to questions taken on notice and further information provided by ministers, together with any additional information sought in relation to the responses received to the Committee's budget estimates questionnaire; and
- the Government's response to the Committee's *Report on the 2009-10 Budget Estimates*.



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# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP – 56TH PARLIAMENT**

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## DUTIES OF THE COMMITTEE

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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

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As Chair of the Public Accounts and Estimates Committee, I am pleased to present this part three of the Committee's *Report on the 2010-11 Budget Estimates*.

This volume completes the Committee's Inquiry into the 2010-11 Budget Estimates, which commenced with surveys of Government departments (published in part one of the report) and a round of 42 public hearings (published in parts one and two). This part three of the report provides a detailed analysis of a number of themes relating to the 2010-11 budget estimates, including and building on the information obtained through the surveys and hearings. The three parts of this report together constitute a significant investigation and analysis of the State's budget and its presentation in the budget papers.

This report is the final budget estimates report for the Public Accounts and Estimates Committee of the 56<sup>th</sup> Parliament. Changes instituted by the Committee during this term have included a significant increase in the length of the Committee's analysis and a restructuring of the reports by theme rather than department. The latter has provided the Committee with the opportunity to explore new aspects of the budget each year. This year has seen the addition of an analysis of the strategic planning underpinning the Budget and forward estimates.

In addition to those changes, the Committee of the 56<sup>th</sup> Parliament also introduced the publication in parts one and two of the transcripts of evidence from the public hearings, along with indices of the matters raised. This has provided a useful resource for Parliament in its consideration of the appropriation bills.

A section of Chapter 1 discusses some of these innovations in more detail.

The recommendations in this report are designed to improve the management of Government funds and to enhance the transparency and accountability of Government agencies. I consider the Committee's recommendations each year to provide a valuable opportunity for improvement to the Government and it has been pleasing during my time on the Committee to see many of the recommendations accepted and implemented. I look forward to a favourable response from the Government to this report's recommendations in due course.

Finally, I would like to express my appreciation to all the people who have made this inquiry and the report possible. I would like to gratefully acknowledge the considerable amount of work by the Premier, Deputy Premier and Attorney-General, Treasurer, Ministers, Presiding Officers, Departmental Secretaries and their staff in responding to the Committee's questionnaire and preparing for and attending the budget estimates hearings. I would also like to thank my fellow Committee members for their invaluable input and effort and the staff of the Committee's secretariat for their exemplary dedication and hard work.



**Bob Stensholt MP**  
Chair



# RECOMMENDATIONS

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- Recommendation 1:** For the information needs of Parliament and the community, departments should provide in their annual reports, details of the progress made on asset investment projects and the outcomes delivered against project objectives. .... 56
- Recommendation 2:** Major Projects Victoria should develop suitable performance measures upon which the progress of major projects can be measured. Performance measures should be reported in future annual reports. .... 57
- Recommendation 3:** As part of the review of the Government’s Integrated Management Cycle, the Department of Treasury and Finance require each department to develop a long-term strategic policy framework which brings together all major policy decisions, directions and strategies that underpin its budget. .... 64
- Recommendation 4:** The Department of Treasury and Finance consider developing a standard approach for presenting major policy decisions, directions and strategies in the budget papers for each department. A diagrammatic representation of this model would assist readers of the budget papers. .... 64
- Recommendation 5:** The Department of Treasury and Finance develop a standard approach for disclosing challenges faced by each department in the budget papers. Consideration could be given to adopting a standard ‘immediate’, ‘medium’ or ‘long-term’ classification for expressing organisational challenges in the budget papers. .... 65
- Recommendation 6:** The Department of Treasury and Finance consider expanding information disclosed in Budget Paper No.3 by:
- (a) disclosing for each new budget initiative in Appendix A, the *Growing Victoria Together* goal and the policy, strategy or plan that underpins each budget allocation as well as the responsible minister(s); and
  - (b) grouping output and asset initiatives according to major government policies where considered feasible. .... 66

<b>Recommendation 7:</b>	<b>For new revenue raising initiatives, the Department of Treasury and Finance consider reporting in the budget papers, the medium and long-term strategies that underpin these revenue streams in the context of <i>Growing Victoria Together</i>.....</b>	<b>66</b>
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- (a) explain significant variations from the revised estimates for the previous year; and
  - (b) provide full comparisons with the previous two years’ expected and actual outcomes. .... 91
- Recommendation 17:** Sustainability Victoria report on the effects of the landfill levy in future annual reports, including:
- (a) demonstrable effects of the levy on reducing the amount of waste going to landfill; and
  - (b) the effectiveness of the programs funded through the landfill levy.
- In reporting on these matters, Sustainability Victoria should include data from programs that it administers and programs administered by other agencies. .... 94
- Recommendation 18:** In future budget papers, the Department of Treasury and Finance list the figures it estimates for gross state product and provide precise details of where these have been derived from. .... 98

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	<b>(b) the measures are consistent with, and complement, the new national Performance and Accountability Framework. ....</b>	<b>159</b>
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<b>Recommendation 48:</b>	<b>The Department of Treasury and Finance should expand the reporting in its progress reports on <i>Reducing the Regulatory Burden</i> by also providing details of how much each initiative has contributed to the \$500 million target. ....</b>	<b>212</b>
<b>Recommendation 49:</b>	<b>The Department of Planning and Community Development should report on its website the contribution by the <i>Councils Reforming Business</i> program to the <i>Reducing Regulatory Burden</i> target.....</b>	<b>212</b>

**Recommendation 50:**    **The Department of Treasury and Finance provide further detailed information relevant to further actions involved in review processes that are identified in relevant responses to the Committee’s recommendations. .... 217**

**Recommendation 51:**    **In terms of continuously improving the format of the Government’s response to Committee reports, a review be undertaken to assess whether there are any additional features that could be incorporated into this document in future..... 223**

# CHAPTER 1: INTRODUCTION

## 1.1 Background

On 4 May 2010, the Government introduced two bills into Parliament – the *Appropriation (2010/2011) Bill 2010* and the *Appropriation (Parliament 2010/2011) Bill 2010*. These bills sought authority from the Parliament to use money from the Consolidated Fund to deliver goods and services and embark on new asset investments during the 2010-11 financial year. The money in the Consolidated Fund comes from taxes, imposts, rates, duties and other revenues (such as royalties). These two bills passed through the Parliament in June 2010.

This legislation gave the Government authority to draw \$36.0 billion for Government purposes<sup>1</sup> and \$101.4 million to fund the Parliament's activities.<sup>2</sup>

## 1.2 Budget estimates

The *Financial Management Act 1994* (s.40) requires the Government to submit budget estimates for the forthcoming financial year along with the appropriation bills. These budget estimates include:

- the goods and services each government department will provide or produce;
- the amounts available, or to be available, to each department;
- the estimated amount of the receipts and receivables for each department; and
- the expected financial requirements of Parliament.

Details of funds that do not require annual parliamentary authority are also provided in the budget estimates, including:

- special appropriations where there is continuing authority embodied in specific legislation (\$4.0 billion);<sup>3</sup>
- agency revenue credited to appropriations (\$5.2 billion);<sup>4</sup> and
- unspent prior year appropriations carried over to the budget year (\$1.1 billion).<sup>5</sup>

The Government expects the total income from operating transactions to be \$45.8 billion for 2010-11 and the total expenditure from operating transactions to be \$44.9 billion.<sup>6</sup> The Government's net infrastructure investment program in the general government sector is expected to cost \$6.4 billion in 2010-11 and to average \$4.6 billion per year over the forward estimates period to 2013-14.<sup>7</sup>

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1 Victorian Government, *Appropriation (2010/11) Bill, 2010*, p. 5

2 Victorian Government, *Appropriation (Parliament 2010/11) Bill, 2010*, p. 4

3 Budget Paper No.4, *2010-11 Statement of Finances*, p.251

4 *ibid.*, pp.252-4

5 *ibid.*

6 *ibid.*, p.10

7 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.44

## **1.3 Process followed by the Public Accounts and Estimates Committee for its review of the 2010-11 budget estimates**

Each year, the Public Accounts and Estimates Committee undertakes a review of the budget estimates and revenues contained in the budget papers. This is one of the key functions of the Committee as set out in Section 14 of the *Parliamentary Committees Act 2003*:

*The functions of the Public Accounts and Estimates Committee are—*

*(a) if so required or permitted under this Act, to inquire into, consider and report to the Parliament on—*

...

*(ii) 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 ...*

The review of the estimates by the Committee aims to assist members of Parliament to consider the appropriation bills and to facilitate a greater understanding for Parliament and the public of the budget estimates. The Committee also seeks to encourage clear, full and precise statements of the Government's objectives and planned budget outcomes and to encourage economical, efficient and effective administration.

### **1.3.1 Public hearings**

An important element of the review is the conduct of public hearings, where members of the Committee can ask questions of the Presiding Officers, Premier, the Deputy Premier and Attorney-General, Treasurer and ministers about the anticipated use of the funds sought in the Budget. Ministers are usually supported by heads of portfolio departments and agencies, and senior officers. For each portfolio, ministers are asked to make brief presentations prior to answering questions. These presentations and any other documents tabled are put on the Committee's website. This year, the Chair of the Committee also sought details about medium and long-term strategies underpinning the Budget for portfolios.

Transcripts of the first 22 public hearings, with an index of key matters, appeared in Part One of the Committee's *Report on the 2010-11 Budget Estimates*. Transcripts and an index of the remaining 20 public hearings appeared in Part Two of that report.

Responses provided by ministers to any questions on notice, requests for further information or unasked questions will be published in this report (Part Three).

### **1.3.2 Departmental budget estimates questionnaire**

Prior to the public hearings, the Committee sent a questionnaire to each department and the Parliamentary Departments to obtain information on the likely impact of the Budget on their operations and future strategic directions. The 2010-11 budget estimates questionnaire focused on:

- budget preparation;
- medium and long-term strategies underpinning portfolio budgets;
- asset funding;

- efficiencies, savings and productivity improvement;
- environmental challenges;
- spending;
- revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures;
- regional and rural considerations;
- performance measures; and
- staffing matters.

Responses received from departments were reproduced in Part One of the report.

### **1.3.3 Analysis**

An analysis of key aspects of the 2010-11 Budget was presented in Part One. Part One also provided information for each department on how the 2010-11 Budget initiatives corresponded with the key budget themes and the *Growing Victoria Together* goals.

This third part (Part Three) of the *Report on the 2010-11 Budget Estimates* contains the following:

- a reproduction of the analysis of key aspects of the 2010-11 Budget from Part One, in order to include a complete analysis of the budget estimates in this part of the report;
- key findings and recommendations relating to the *2010-11 budget estimates*, drawing on some of the information contained in the departmental responses to the budget estimates questionnaire; and
- responses received to questions taken on notice at public hearings and questions emanating from those hearings.

This Part Three report concludes the Committee's examination of the 2010-11 budget estimates.

### **1.3.4 Government response**

This report includes the Government's response to the recommendations of the Committee's *Report on the 2009-10 Budget Estimates*, along with an analysis of the response by the Committee in Chapter 15 of this report.

## **1.4 Synopsis of past estimates inquiries by the Committee during the 56<sup>th</sup> Parliament**

As this report marks the culmination of the Committee's inquiries into the budget estimates over its four-year term, the Committee believes there is value in bringing together a summary of the Committee's work over this period, which has covered the budget estimates for 2007-08, 2008-09, 2009-10 and 2010-11.

The new Committee, in its first year, affirmed that it would strive for continuous improvement in the breadth of its inquiries and would introduce a financial and economic performance focus to its reports to Parliament.<sup>8</sup>

The following initiatives were built into the process for conducting and reporting on the estimates inquiry:

- in line with Commonwealth government practice for informing parliamentary debate in both Houses when considering the appropriation bills, the Committee provided earlier reports to Parliament that summarised, in the form of an index, key matters raised at the budget estimates hearings together with the inclusion of the transcripts of the evidence provided at the budget estimates hearings. Committed to a process of innovation, earliest presentation to Parliament of the results of the estimates hearings was also consistent with a recommendation of the Auditor-General in the April 2003 report titled *Parliamentary Control and Management of Appropriations*;<sup>9</sup>
- the report includes responses provided by departments to the budget estimates questionnaire;
- new reporting features that included commentary on contingency provisions, departmental asset investment, Government grants and various themes such as the National Reform Agenda and productivity; and
- the examination of a series of issues categorised under each of the *Growing Victoria Together* (GVT) policy visions and goals. This analysis completed the trilogy whereby the Government's budget estimates reporting format and the Auditor-General's annual plan were also aligned to the GVT policy vision.

In addition, in terms of questions raised at the budget estimates hearings, an innovative practice introduced by the Chair involved asking a special question of witnesses each year that covered a specifically formulated theme based on contemporary issues of relevance to Victoria at the time and into the future. Questioning along these lines covered the following matters:

- the impact that portfolio spends, particularly new initiatives, would have on productivity (2007);
- concessions and subsidies contained in the Budget, the extent of revenue foregone and any changes from that of the prior year (2008);
- the quantification of Commonwealth grants received in the Budget and accountability mechanisms in respect of those grants (2009); and
- medium and long-term strategies underpinning the Budget and forward estimates (2010).

Topics categorised according to the GVT visions examined and reported by the Committee over the past four years as part of the budget estimates inquiries are summarised in Table 1.1.

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8 Public Accounts and Estimates Committee, *2006-07 Annual Report*, p.7

9 Victorian Auditor-General, *Parliamentary Control and Management of Appropriations*, April 2003, pp.6, 434

**Table 1.1: Issues reported by the Committee categorised according to the GVT visions**

GVT Vision	2007-08	2008-09	2009-10	2010-11
Thriving Economy	Food and fibre exports Movement of port-related freight by rail	Measures to reduce road traffic congestion Movement of port-related freight by rail	Economic parameters Job creation Victoria's Transport Plan	Securing jobs Central Activities Districts
Quality Health and Education	Participation in kindergarten programs <i>Victorian Schools Plan</i> — outline and need for strong accountability	Improving the reading, writing and numeracy skills of Victorian students <i>Victorian Schools Plan</i> — Government action and continuing implementation Implementation of <i>HealthSMART</i>	Literacy and numeracy in schools Mental health Ultranet	Health reform Capital works in hospitals Education initiatives Early childhood education
Healthy Environment	Research into climate change impact Monitoring rock lobster catches Melbourne's water use	The impact of climate change on the formulation of the Budget Review of anticipated expenditure on the channel deepening project Funding for the management of weed and pest control on public land	Water management Sustainable energy Climate change initiatives and programs for the agricultural sector Funding for the development and establishment of parks in Victoria	Climate change and Government responses to climate change Protecting the environment and upgrading and promoting Victoria's parks Sustainable energy initiatives — the <i>Greener Government Buildings</i> program
Caring Communities	Road traffic fatalities attributable to suicide Housing affordability	Tackling alcohol abuse in Victoria Indigenous community and cultural development — reconciliation of outcomes and outputs Strengthening the justice system and ensuring the corrections system can meet increasing demand Level crossing safety package	Child protection and family services Emergency management and disaster relief Road safety	Public safety Mental health reform

GVT Vision	2007-08	2008-09	2009-10	2010-11
Vibrant Democracy	<p>Reduction in the number of criminal and non-criminal matters disposed of by Victoria's courts</p> <p>Case processing timelines in criminal and civil matters</p> <p>Costs per lodgement for criminal and civil cases</p> <p>Role of the Victorian Auditor-General — examination of administrative systems of courts</p> <p>Increased use of public transport and overcrowding of public transport during peak periods</p>	<p>Growth Areas Authority — expenditure associated with growth areas structure planning</p> <p>Audio and video webcasting of parliamentary proceedings</p>	<p>Analysis of surpluses and deficits</p> <p>Efficiencies</p>	<p>Maintaining Victoria's AAA credit rating</p> <p>Reducing the regulatory burden on business</p> <p>Building a competitive business environment</p>

Sources: *Public Accounts and Estimates Committee, reports on the budget estimates, 2007-08 to 2010-11*

Other interesting and innovative topics covered by the Committee included the following:

- measuring the commitment of ministers and departments in servicing the Committee;<sup>10</sup>
- quality of material provided by ministers and departments in response to questions raised by the Committee;<sup>11</sup>
- management and accountability for Commonwealth grants and funds;<sup>12</sup> and
- strategic planning underpinning formulation of the 2010-11 Budget and forward estimates.<sup>13</sup>

Table 1.2 provides a snapshot of the magnitude of the budget estimates inquiries conducted by the Committee over its term. As shown in the table, during 168 budget estimates hearings held in relation to four estimates periods that commenced with the 2007-08 Budget, the Committee covered almost 2,000 issues with Ministers and their senior departmental representatives. Amounts sought to be drawn from the appropriation bills over this period totalled in excess of \$130 billion. The total estimated income and expenditure from operating transactions was in the vicinity of \$160 billion, with projected net investment in fixed assets standing at just over \$20 billion. In terms of reporting, the Committee produced in excess of 1,500 pages of material and 205 recommendations for scrutiny by the Parliament and other interested parties and for action by the Government.

10 Public Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates — Part Three*, pp.131–4

11 *ibid.*, pp.187–91

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

13 see Chapter 4 below

**Table 1.2: Overview of budget estimates inquiries, 2007-08 to 2010-11**

	2007-08	2008-09	2009-10	2010-11	Total
Number of budget estimates hearings held	43	41	42	42	<b>168</b>
Number of key matters raised at the budget estimates hearings	530	507	468	445	<b>1,950</b>
Number of recommendations made by the Committee	52	49	53	51	<b>205</b>
Number of pages of analysis of issues reported by the Committee	355	417	426	378	<b>1,576</b>
Cost of conducting the inquiry (all parts) (\$)	184,500	183,326	132,313	131,742	<b>631,881</b>

Sources: *Public Accounts and Estimates Committee, reports on the budget estimates, 2007-08 to 2010-11*

## 1.5 Analysis, key findings and recommendations relating to the 2010-11 budget estimates inquiry

This report is made up of the following main areas:

- an introduction to the report which includes a synopsis of the Committee's activities over the past four estimates periods;
- an overview of the key aspects of the 2010-11 Budget, reproduced from Part One of this report;
- the Committee's analysis of a number of issues, presented under theme headings that have relevance to the estimates, that comprise the following topics: General Government Sector Asset Investment; the COAG Reform Agenda and Productivity in Victoria; Departmental Income/Revenue Initiatives; Revenue Foregone/Tax Expenditures and Concessions and Subsidies; Regional and Rural Victoria; and Departmental Workforce;
- a new theme that delved into the medium and long-term strategies and plans that underpinned the 2010-11 budget estimates;
- an examination of certain issues raised by the Committee at the estimates hearings that are relevant to the Government's *Growing Victoria Together* policy vision and goals; and
- an analysis of the Government response to the recommendations contained in the Committee's *Report on the 2009-10 Budget Estimates — Part Two*.

## 1.6 Acknowledgment

The Committee is grateful to the Presiding Officers, Premier, Deputy Premier, Attorney-General, Treasurer, Ministers, Departmental Secretaries, heads of agencies and their accompanying staff for their assistance at the budget estimates hearings and in providing written material in response to the Committee's formal lines of inquiry.

## 1.7 General

The cost of this inquiry was approximately \$92,339.



## CHAPTER 2: KEY ASPECTS OF THE 2010-11 BUDGET

### Summary of key aspects of the 2010-11 Budget:

- 2.1 Eleven budget themes underpin the direction of funding in the 2010-11 Budget, which reflects the Government's assessment of the repercussions of the Global Financial Crisis, the process of recovery from the February 2009 bushfires and those sectors of the State now warranting funding emphasis.
- 2.2 The 2010-11 budget papers indicate that funding provision has now been made for all of the Government's 2006 election commitments.
- 2.3 The Budget forecasts an operating surplus of \$871.9 million in 2010-11, \$642.4 million higher than the initial budget for 2009-10 and \$477.0 million higher than the revised budget for 2009-10. These higher projections illustrate the Government's more positive assessment of the changed budget settings between the two periods.
- 2.4 Further output funding of \$257.5 million and asset funding of \$52.3 million have been provided in the Budget for bushfire reconstruction and recovery. The output funding includes an additional \$11.4 million for the operating budget of the Victorian Bushfire Reconstruction Authority, which brings its total operating funding provision to \$32.6 million.
- 2.5 Net infrastructure investment in the general government sector is projected to be \$6.4 billion in 2010-11 and to average \$4.6 billion over the three-year forward estimates period to 2013-14.
- 2.6 Asset funding totalling \$5.7 billion has been provided for the *Victorian Transport Plan* up to 2013-14, which brings to \$9.8 billion the total estimated investment allocated to the Plan's projects to date. The budget papers state that Commonwealth funding amounts to \$5.1 billion or 52 per cent of the Plan's allocations to date.
- 2.7 In a positive initiative, the Government brought forward publication of its budget information paper on the 2010-11 asset investment program to accompany the release of the budget papers. It has also released with the budget papers a special information paper on funding for the health sector.
- 2.8 The Committee remains of the view that a separate budget information paper on programs for regional and rural Victoria would be of value.
- 2.9 Net debt in the general government sector is projected to rise from \$8.7 billion (2.8 per cent of Gross State Product (GSP)) at June 2010 to \$15.8 billion (4.3 per cent of GSP) by June 2013, before declining to just under \$15.8 billion (4.1 per cent of GSP) in June 2014. The Government anticipates no new borrowings will be required in 2013-14.

- 2.10 For the non-financial public sector, net debt is estimated to increase from \$16.1 billion (5.1 per cent of GSP) at June 2010 to \$31.7 billion (8.2 per cent of GSP) by June 2014.**
- 2.11 No new efficiency targets for departments have been separately identified in the 2010-11 budget papers. Efficiency targets with savings totalling \$478.8 million to be realised in 2010-11 were assigned to departments in earlier budgets under the Government's *Efficient Government Policy* and other general efficiency strategies.**
- 2.12 Significant levels of contingency provisions have been made in the 2010-11 Budget, with output contingencies likely to amount to well in excess of \$9 billion over the four years to 2013-14 and asset contingencies estimated to be around \$1.2 billion. Limited information on the nature and basis of quantification of contingencies is presented in the annual budget papers.**

## **2.1 Suggestions for enhancing disclosure in future budget papers**

This overview chapter has been repeated from the *Report on the 2010-11 Budget Estimates — Part One*. The Committee has included it in this Part Three as well so that the Committee's total analysis can be found in one volume. This chapter summarises what the Committee considers to be the principal aspects of the Government's 2010-11 Budget. The Budget is examined in a macro manner under the following headings:

- key budget themes;
- the fiscal target for the operating surplus;
- bushfire reconstruction and recovery;
- funding for infrastructure investments;
- new funding initiatives; and
- contingency provisions.

Because of its overview nature, no recommendations are presented in this chapter. However, the Committee has included suggestions for the Government's consideration which are aimed at enhancing the quality of disclosure in future budget papers and assisting Parliament's analysis of published budget information. The suggestions relate to:

- presentations by the Government on expected projections in future years under the health funding arrangements recently agreed with the Commonwealth — such presentations will complement the disclosures made in the 2010-11 Budget which form part of a special information paper, *Putting Patients First*, published by the Government with the budget papers;
- quantification of the various items making up the Government's revenue projections to be derived from sales of goods and services;

- a previous Committee suggestion that the budget papers include an analysis of changes in estimated operating expenses between the current budget and the latest revised figures for the preceding year;
- the likely benefit to Parliament of a reconciliation in the budget papers between the asset spending projections disclosed in the budget papers and asset expenditure information published in the information paper on asset investments — in a positive move by the Government, this latter paper has accompanied publication of the 2010-11 budget papers;
- disclosure of the nature of deductions made from the gross values of new output funding initiatives in the general government sector to arrive at the projected net cost to each budget of delivering those initiatives;
- provision in budget papers for the next two years of details of the remaining efficiency targets, as announced in earlier budgets, to be realised by departments in those years — the published information should include a summary of the main efficiency strategies to be implemented by individual departments; and
- an expanded presentation in the budget papers of contingency provisions, including the nature of their role in the budgetary process and the basis of their quantification.

Many of these issues are discussed in more detail, along with appropriate recommendations, in the other chapters of this volume.

## 2.2 Key budget themes

Each year in its budget overview document, the Government identifies the key themes or funding categories that underpin the overall direction of the Budget and its new funding initiatives.

For example, in last year's budget, the Government halved the number of budget themes from twelve to six which reflected its assessment of the implications to that budget of the Global Financial Crisis, the emergence of new Commonwealth funding arrangements and the task of recovering and rebuilding following Victoria's extensive bushfires of February 2009.

In the 2010-11 Budget overview document, which is headed *Standing up for families — securing jobs*, the Government has expanded the number of budget themes to 11, which are:<sup>6</sup>

- *more jobs and a resilient, competitive Victorian economy;*
- *Putting Patients First;*
- *promoting community safety;*
- *more support and services for children and families;*
- *investing in our schools;*
- *maintaining Victoria's liveability;*
- *A Fairer Victoria;*

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6 Department of Treasury and Finance, Victorian Budget, *2010-11 Overview*, pp. 4–24

- *delivering the Victorian Transport Plan;*
- *new support and investment for regional Victoria;*
- *sustainability and the environment;* and
- *bushfire reconstruction and recovery.*

This return to a multi-faceted approach to the direction of funding in the 2010-11 Budget reflects the Government's assessment of the circumstances prevailing in Victoria following the impact of the global economic downturn, the process of recovery from the February 2009 bushfires and those areas of the State that now warrant funding emphasis.

In formulating eleven budget themes for the 2010-11 Budget, the Government has subsumed the theme, *Partnering with the Commonwealth Government*, created in 2009-10, into several other themes. The overview budget document identifies that Victoria is in partnership with the Commonwealth in the funding of many areas including health reform, early childhood education and care, investing in schools, rail and road transport projects and bushfire recovery.

In line with the approach taken in previous years, the budget papers contain extensive information, as set out below, on new funding initiatives announced in the 2010-11 Budget:

- the *Budget Overview* document describes the main new funding initiatives that will be implemented under each theme heading in 2010-11 and beyond;<sup>7</sup>
- the *Strategy and Outlook* document tabulates the aggregate dollar values of new output and asset funding initiatives assigned to each department;<sup>8</sup>
- the *Service Delivery* document summarises the major budgetary initiatives supporting the high-level goals of the Government's visionary document, *Growing Victoria Together*;<sup>9</sup> and
- the *Service Delivery* document also gives a short summary of each new funding initiative in departmental order, the level of funds allocated in 2010-11 and beyond, and how each initiative links to the relevant departmental outputs.<sup>10</sup>

Unlike previous years, the Government has issued two budget information papers to supplement its standard budget papers for 2010-11. The budget information papers are:

- Budget Information Paper No.1, *2010-11 Public Sector Asset investment Program*, which details Victoria's asset investment program for 2010-11 — this paper has previously been published about five months after the Budget in the following October; and
- Budget Information Paper No.2, *Putting Patients First* — this paper outlines funding commitments announced in the Budget for health services and infrastructure, including funding decisions reached under the Council of Australian Governments agreement on national health reform.

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7      *ibid.*

8      Budget Paper No.2, *2010-11 Strategy and Outlook*, pp.41, 46

9      Budget Paper No.3, *2010-11 Service Delivery*, pp.7–33

10     *ibid.*, pp.279–361

The Committee welcomes these presentation enhancements which benefit the Parliament and the community. It had previously recommended more timely disclosure of the asset investment program in its June 2009 report on its Inquiry into Victoria's Public Finance Practices and Legislation.<sup>11</sup>

The Committee considers the publication of a special information paper on health funding to be a positive action, given the overall significance attached by the Government in the Budget to this key sector and the financial ramifications to the State of the recent Council of Australian Governments agreement on national health reform. It looks forward to further transparent presentations by the Government in the budget papers on future funding projections under the arrangements agreed with the Commonwealth.

The Committee has previously suggested to Government that it provide a separate report on programs in regional and rural Victoria. While the budget overview contains summary information, the Committee maintains its view that such a budget information paper would be of value.

With regard to the Government's 2006 election commitments, all remaining output commitments were approved for funding in the 2009-10 Budget. The 2010-11 budget papers state that all remaining asset commitments have now been approved for funding either in 2010-11 or over the forward estimates period. The budget papers list each asset commitment and indicate that aggregate funding of \$3.5 billion has been approved, \$50.0 million greater than the 2006 asset costings. Notes to the listing of individual asset commitments show explanations for any under or over variances between final funding and initial commitments.<sup>12</sup>

## 2.3 The fiscal target for the operating surplus

In the 2008-09 Budget, the Government reassessed its target for the operating surplus from at least \$100 million per year to at least 1 per cent of revenue per year. As explained in last year's budget, the Government reverted to its previous fiscal target of maintaining an operating surplus of at least \$100 million because of the prevailing fiscal and economic environment. It is committed to returning to a targeted budgeted operating surplus of at least 1 per cent of revenue over the longer term.<sup>13</sup>

For 2010-11, the Government is forecasting an operating surplus of \$872 million in the general government sector which is well above its current fiscal target. It is also forecasting operating surpluses averaging \$1.2 billion over the three year forward estimates period to 2013-14.<sup>14</sup>

Table 2.1, overleaf, shows revenue and expense projections for 2010-11 together with the original budget and latest revised forecast for 2009-10.

11 Public Accounts and Estimates Committee, *New Directions in Accountability: Inquiry into Victoria's Public Finance Practices and Legislation*, June 2009, p.29

12 Budget Paper No.3, *2010-11 Service Delivery*, pp.271-7

13 Budget Paper No.2, *2009-10 Strategy and Outlook*, p.8

14 Budget Paper No.2, *2010-11 Strategy and Outlook*, pp.32-3

**Table 2.1: Revenue and expense estimates for 2010-11**

Operating item	2009-10 Budget <sup>(a)</sup> (\$ million)	2009-10 Revised Budget (\$ million)	2010-11 Budget (\$ million)
Revenue	42,388.3	43,745.5	45,759.3
Expenses	42,158.8	43,350.6	44,887.4
<b>Estimated operating surplus</b>	<b>229.5</b>	<b>394.9</b>	<b>871.9</b>

Note: (a) *Reclassification of unilaterally determined bad debts expenses from 'transactions' to 'other economic flows' has required re-presentation of the previously published 2009-10 Budget, consistent with new accounting standard requirements.*

Sources: *Budget Paper No. 2, 2010-11 Strategy and Outlook, p.33; and Budget Paper No. 4, 2010-11 Statement of Finances, p.330*

Table 2.1 identifies that the budgeted operating surplus for 2010-11 is \$642.4 million or 280 per cent higher than the initial budget for 2009-10 and \$477.0 million or 121 per cent higher than the revised budget for 2009-10. The equivalent comparisons between 2008-09 and 2009-10 estimates were falls of \$662.3 million (73 per cent) and \$13.0 million (6 per cent) respectively, which illustrates the Government's more positive assessment of the changed fiscal and financial settings and assumptions between the two periods.

In his message in the Government's budget overview document, the Treasurer drew attention to the impact of the Global Financial Crisis and Victoria's devastating bushfires of February 2009 on the delivery of last year's Budget. He went on to say that:<sup>15</sup>

*While the outlook remains uncertain and the repercussions from the global downturn continue to affect our economy and budget, Victorians can be confident that our state is well placed to take advantage of a global recovery...*

The Treasurer also highlighted the importance he places on budget surpluses and stated that *'Keeping the budget in surplus enables us to invest in the infrastructure Victoria will require to support people, families and communities in need.'*<sup>16</sup>

As shown in Table 2.1, the increase of \$477.0 million in the Government's projected operating surplus for 2010-11, when compared with the revised estimate for the previous year, reflects increased budgeted revenue of \$2.0 billion (4.6 per cent) offset by higher operating expenses of just over \$1.5 billion (3.5 per cent). The following paragraphs summarise the explanations provided in the budget papers for these revenue and expense movements.

15 Department of Treasury and Finance, *Victorian Budget, 2010-11 Overview*, p.3

16 *ibid.*, p.2

### **2.3.1 Increased revenue projections**

The 2010-11 budget papers contain detailed commentary on the movements in particular revenue items between the 2010-11 budget estimate and the revised estimate for the previous year.<sup>17</sup> The budget papers indicate the estimated revenue growth in 2010-11 is mainly attributable to the following three factors:

#### **An increase of \$795.7 million in taxation revenue**

The budget papers point out that this increase principally reflects:

- higher payroll tax revenue of \$235.6 million based on expected increasing employment and wages and an anticipated recovery in average hours worked per employee, moderated by the announced budget measure of a reduction in the payroll tax rate from 4.95 per cent to 4.90 per cent effective from 1 July 2010;
- an increase of \$174.4 million in land transfer duty due to the strength in the property market despite recent monetary tightening and an easing in first home owner demand;
- growth of \$143.8 million in land tax revenue as a result of increased property values and the progressiveness embodied in land tax scales;
- an increase of \$66.8 million in overall gambling taxes in line with expected household consumption expenditure growth and changes to Crown Casino's licence conditions; and
- higher tax revenue of \$61.6 million on non-life insurance due to premium rate increases and growth in the economy.

#### **An increase of \$781.8 million in grants revenue**

The budget papers explain that this forecast increase arises from:

- higher GST revenue of \$997.7 million reflecting Victoria's increased share of a larger GST revenue pool, principally as a result of the State's improved relativities following the Commonwealth Grants Commission's February 2010 review; partly offset by
- lower overall Commonwealth specific purpose grant revenue by \$205.4 million, primarily driven by the wind back (involving a reduction of \$833.5 million) built into the *Nation Building — Economic Stimulus Plan*.

The budget papers state that the published estimates of Commonwealth grant revenue represent the latest information available to the Government at the time of finalisation of its 2010-11 Budget.

#### **An increase of \$419.5 million in revenue from sales of goods and services**

This increase is identified in the budget papers as due to:

- farebox collections under new rail contracts operative from 30 November 2009;
- inter-sector capital asset charge revenue from VicTrack;

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<sup>17</sup> Budget Paper No.4, *2010-11 Statement of Finances*, pp.203–33

- third party revenue in the health sector and ambulance services;
- TAFE fee revenue from international and domestic students; and
- other fees and charges broadly in line with consumer price index movements.

These items are not separately quantified and the Committee considers it would be helpful to Parliament's analysis if quantification of revenue movements were included in future budget papers. The Committee has recently recommended expanded disclosure by the Government of actual and budgeted revenue from sales of goods and services in its annual financial report.<sup>18</sup>

### **2.3.2 Higher operating expense projections**

In recent years, the budget papers have not included explanations for variances between budget forecasts for items of operating expense and the revised estimate for the previous year.

The commentary on operating expenses in the 2010-11 budget papers includes comparisons between the 2010-11 estimates and:<sup>19</sup>

- the expected average increase over the forward estimates period to 2013-14; and
- estimates for 2010-11 presented in the *2009-10 Budget Update* published in November 2009.

The projected growth over the period to 2013-14 for the Government's highest expense item, employee expenses, is expected to average \$803.0 million, or 4.3 per cent per year. The budget papers indicate the year to year growth primarily reflects wages costs associated with growth in services for a growing community, including the delivery of additional police officers and anticipated increases in the cost of wages in line with the Government's wages policy.

For the second major expense item, other operating expenses, which includes purchases of supplies and services, maintenance expenses and operating lease payments, expenses are projected to rise by an average of \$334.0 million, or 2.2 per cent, over the forward estimates period. The budget papers state this growth mainly reflects the Government's new initiatives announced in the 2010-11 Budget and projected growth in revenue to 2013-14.

The Committee has previously advocated to the Government that identification of the reasons for changes in estimated operating expenses between the latest revised figures for the preceding year and the current budget be incorporated in the budget papers.<sup>20</sup> This approach would be consistent with the presentation of movements in revenue estimates and assist Parliament in its analysis of current variations in expense forecasts.

## **2.4 Bushfire reconstruction and recovery**

As identified in an earlier paragraph of this chapter, 'Bushfire reconstruction and recovery' is one of the Government's themes underpinning the direction of funding under the 2010-11 Budget. This theme complements a similarly-titled theme, 'Bushfire recovery', established for the previous

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18 Public Accounts and Estimates Committee, *Report on the 2008-09 Financial and Performance Outcomes*, May 2010, recommendation 2, p.23

19 Budget Paper No.2, *2010-11 Strategy and Outlook*, pp.38-40, 84-5

20 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates — Part Three*, October 2008, p.29

year's budget and reflects a continuation of the reconstruction and recovery task arising from Victoria's extensive summer bushfires of February 2009.

The Government has announced the following funding allocations for bushfire reconstruction and recovery in the 2009-10 and 2010-11 Budgets:

**Output funding — aggregate allocations of \$1.4 billion**

***2009-10 Budget***

- \$908.0 million over the five-year period 2008-09 to 2012-13, including \$50.9 million for 2010-11;

***2009-10 Budget Update***

- \$211.0 million over the four-year period 2009-10 to 2012-13, including \$21.4 million for 2010-11;

***2010-11 Budget***

- \$202.5 million over the five-year period 2009-10 to 2012-13, including \$69.6 million for 2010-11; and
- \$55.0 million in 2009-10 for natural disaster relief funding arrangements.

**Asset funding — aggregate allocations of \$223 million**

***2009-10 Budget***

- \$78.4 million over the four-year period 2008-09 to 2011-12, including \$21.7 million for 2010-11;

***2009-10 Budget Update***

- \$92.4 million over the three-year period 2009-10 to 2011-12, including \$14.1 million for 2010-11; and

***2010-11 Budget***

- \$52.3 million over the three-year period 2010-11 to 2012-13, including \$50.3 million for 2010-11.

The above budget documents list the numerous output and asset initiatives and their individual funding allocations over the identified periods. The funding allocations are not sub-totalled for each year, which makes it necessary for readers of the documents to calculate the various dollar aggregates.

Individual funding initiatives have been grouped in the budget documents under several headings in the following order:

- 'bushfire response and recovery';
- 'bushfire response and preparedness activities';
- 'statewide plan for bushfire reconstruction and recovery'; and

- ‘bushfires’.

The Committee assumes these different headings reflect the changing pattern of the Government’s bushfire assistance and recovery activities from the initial response focus to longer-term reconstruction strategies and actions.

The Government’s budget overview document indicates that part of the funding allocated to date has ‘*addressed a number of recommendations presented in the 2009 Victorian Bushfires Royal Commission Interim Report.*’ The overview document also states that, ‘*with the expected release of the Royal Commission’s final report in July, further government actions could be needed to address the Commission’s findings. However, the government is making sure that critical bushfire preparedness and recovery works continue ahead of the final report.*’<sup>21</sup>

The bushfire output funding announced in the 2010-11 Budget includes an additional \$11.4 million for the operating budget of the Victorian Bushfire Reconstruction and Recovery Authority. The Authority had previously been allocated \$21.2 million for its work in overseeing and coordinating the rebuilding of communities.

The Committee has previously drawn attention to the need for comprehensive and transparent reporting to Parliament on the management of bushfire funding and the level of effectiveness in achieving recovery outcomes. It has recently recommended to the Government that its annual financial report include expanded coverage of each year’s bushfire expenditure.<sup>22</sup>

## **2.5 Funding for infrastructure investments**

### **2.5.1 Level of net estimated infrastructure investment**

The 2010-11 budget papers show that net infrastructure investment in the general government sector in 2010-11 is projected to be \$6.4 billion and to average \$4.6 billion over the three year forward estimates period to 2013-14.<sup>23</sup> The budget papers state that:<sup>24</sup>

*This investment, funded by the Victorian Government in partnership with the Commonwealth Government, will enhance the ongoing economic capacity of the State and improve longer-term productive growth. The infrastructure program in Victoria is estimated to secure around 30 000 jobs in 2010-11.*

*General government net infrastructure investment is projected to remain at high levels throughout the forward estimates period, even as the investment associated with the Commonwealth fiscal stimulus and many substantial Victorian Government projects concludes.*

The 2010-11 budget papers continue the practice commenced in 2009-10 of identifying projects to be funded over the forward estimates period under the Government’s *Victorian Transport Plan*. As mentioned in an earlier paragraph, the Government established a new budget theme, ‘Delivering the Victorian Transport Plan’, for the 2010-11 Budget, which reflects the growing significance of Commonwealth and State funding allocated under the Plan.

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21 Victorian Budget, *2010-11 Overview*, p.24

22 Public Accounts and Estimates Committee, *Report on the 2008-09 Financial and Performance Outcomes*, May 2010, recommendation 3, p.27

23 Budget Paper No.2, *2010-11 Strategy and Outlook*, pp.8, 44

24 *ibid.*, p.8

The budget papers show that asset funding totalling \$5.7 billion for the *Victorian Transport Plan* up to 2013-14 has been provided in the current budget, which brings to \$9.8 billion the total estimated investment allocated to the Plan's projects to date. The budget papers indicate that this aggregate figure includes Commonwealth Government funding of around \$5.1 billion, or 52 per cent of total allocations.<sup>25</sup>

Of a total of \$708.5 million in funding for projects under the *Victorian Transport Plan* to be provided in 2010-11, \$510.0 million, the largest allocation by far, relates to the *Regional Rail Link* project. The total estimated investment for this major project is \$4.3 billion, with a Commonwealth contribution of \$3.2 billion. The budget papers show that \$353.0 million is expected to be received from the Commonwealth for this project in 2010-11.<sup>26</sup>

The budget estimates for net infrastructure investment in the general government sector for the three year period 2011-12 to 2013-14 incorporate a '*capital provision approved but not yet allocated*' totalling \$1.2 billion.<sup>27</sup> Further comment by the Committee on this provision is provided in Section 2.7, later in this chapter.

Cash flow projections in the budget papers for the general government sector indicate that around 74.1 per cent of the total projected \$20.1 billion infrastructure program to 2013-14 will be funded from cash operating surpluses (after adding back non-cash items such as depreciation), with borrowings funding the remainder of the program until 2013-14, when no new borrowings are expected to be required.

The equivalent percentage of funding from operating cash surpluses identified in last year's budget was 50 per cent which illustrates the Government's expectation of higher cash operating surpluses, particularly later in the forward estimates period. Table 2.2 shows the projected increasing percentage movements for operating surplus funding of the infrastructure program over the four year period to 2013-14.

**Table 2.2: Forecast percentage projected infrastructure program funded from cash operating surpluses, 2010-11 to 2013-14**

Item	2010-11 (\$ million)	2011-12 (\$ million)	2012-13 (\$ million)	2013-14 (\$ million)	Total (\$ million)
Net operating cash flow (a)	3,492.8	3,222.2	4,146.6	4,022.4	14,884.0
Total net investment in fixed assets (b)	6,369.5	5,162.2	4,626.5	3,938.3	20,096.5
<b>Percentage of (a) over (b) (%)</b>	<b>54.8</b>	<b>62.4</b>	<b>89.6</b>	<b>102.1</b>	<b>74.1</b>

Source: Percentages calculated by Committee from data in Budget Paper No. 2, 2010-11 Strategy and Outlook, May 2010, p.44

The Government's projection of a fully funded infrastructure program by 2013-14 arises from a combination of a higher cash operating surplus and lower asset spending in that year compared with 2010-11.

25 Budget Paper No.3, 2010-11 Service Delivery, pp. 471-3

26 Budget Paper No 4, 2010-11 Statement of Finances, p.221

27 Budget Paper No.2, 2010-11 Strategy and Outlook, p.44

The budget papers also outline cost projections of net asset investments in the non-financial public sector, which combines the general government sector and the State's public non-financial corporations. The latter category mainly comprises entities providing water, housing, transport and port services.<sup>28</sup>

The budget papers indicate that net investment in fixed assets in the non-financial public sector is expected to be \$8.8 billion in 2010-11 and to total \$27.9 billion over the four years to 2013-14.<sup>29</sup>

### **2.5.2 Timely publication of Budget Information Paper No.1**

When commenting on infrastructure budget projections for 2010-11 and beyond, it is appropriate for the Committee to recognise the action taken by the Government to bring forward publication of its Budget Information Paper No.1, detailing the 2010-11 public sector asset investment program. As mentioned in an earlier paragraph, this document has previously been issued several months after the annual budget, and the Committee had recommended more timely publication of the document in its June 2009 report on its Inquiry into Victoria's Public Finance Practices and Legislation.

Budget Information Paper No.1 presents information on all key infrastructure projects in the general government sector and those projects managed by public non-financial corporations. It lists individual projects and shows their total estimated investment, estimated expenditure to 30 June 2010, estimated expenditure in the ensuing 2010-11 budget year and remaining expenditure.

While the contents of the paper support the asset spending projections contained in the budget papers, and the earlier availability of the paper to Parliament is a positive initiative, the aggregate spending details differ from those presented in the budget papers. This difference arises because threshold conventions are applied to the contents of the paper, with disclosed data relating to asset projects with a total estimated investment equal to or more than \$250,000. In addition, certain projects are excluded from the paper '*for reasons of commercial sensitivity*'.<sup>30</sup>

The Committee considers that the Government should ensure that, in future years, there is available for Parliament a transparent reconciliation between the asset spending projections disclosed in the budget papers and the information published in the accompanying budget information paper.

### **2.5.3 Net debt projections**

Net debt represents the difference between gross debt and liquid financial assets. The budget papers show that general government sector net debt is projected to rise from \$8.7 billion in June 2010 to \$15.83 billion by June 2013 before declining to \$15.79 billion in June 2014.<sup>31</sup> As mentioned in the above paragraph, the Government anticipates that no new borrowings will be required in 2013-14.

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28 *ibid.*, pp. 55–66

29 *ibid.*, p.60

30 Budget Information Paper No.1, *2010-11 Public Sector Asset Investment Program*, p.18

31 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.52.

As a percentage of gross state product (GSP), general government sector net debt is expected to increase from 2.8 per cent at June 2010 to 4.3 per cent at June 2013, before declining to 4.1 per cent by June 2014.<sup>32</sup> The budget papers state that:<sup>33</sup>

*Since the 2009-10 Budget, projections of net debt as a percentage of GSP have been revised down substantially, by around 1 per cent, across the forward estimates years. This is the result of lower net debt in dollar terms, as well as stronger growth in the economy, which was supported by the Government's substantial infrastructure program.*

These comments can be considered in conjunction with the Government's debt strategy which, according to the budget papers, aims to:<sup>34</sup>

- *maintain Victoria's AAA credit rating;*
- *deliver services and invest in social and economic infrastructure to promote growth;*
- *fund infrastructure predominately from cash generated from operating surpluses; and*
- *return infrastructure investment to sustainable levels.*

The Committee regards these four elements as key criteria for evaluating the effectiveness of the Government's management of debt in the general government sector throughout the forward estimates period to 2013-14.

With regard to Victoria's current credit rating, the budget papers indicate that its AAA rating was reaffirmed by Standard & Poor's in September 2009 and by Moody's Investors Service in January 2009.<sup>35</sup> In a bulletin issued by Standard & Poor's on 4 May 2010, the day the 2010-11 Budget was presented to Parliament, the agency reported that the Budget is consistent with its AAA credit rating and the stable outlook already assigned to Victoria.<sup>36</sup>

The budget papers disclose limited information on the key indicators used by the two agencies when evaluating the State's credit standing. The Committee has recently recommended that the material disclosed in the Government's annual financial report and budget papers be expanded to show the main factors assessed by the rating agencies when forming their credit opinions, supplemented by commentary on those factors.<sup>37</sup>

For the non-financial public sector, net debt as a percentage of GSP is estimated to be \$16.1 billion (5.1 per cent of GSP) at June 2010, rising to \$31.7 billion (8.2 per cent of GSP) by June 2014.<sup>38</sup> Like the debt estimates for the general government sector, these projections are lower than those published in the previous year's budget.

32 *ibid.*, p.51

33 *ibid.*, p.52

34 *ibid.*

35 *ibid.*

36 Standard & Poor's (Australia) Pty Ltd, "'AAA/A-1+' Ratings on State of Victoria Unaffected by State Budget' 4 May 2010.

37 Public Accounts and Estimates Committee, *Report on the 2008-09 Financial and Performance Outcomes*, May 2010, recommendation 60, p.385

38 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.64

## 2.6 New funding initiatives

The Government's eleven themes underpinning the 2010-11 Budget, which were mentioned in an earlier section of this chapter, are principally reflected in the new output and asset funding initiatives presented in the budget papers.

Consistent with the presentation in previous budgets, an appendix to Budget Paper No.3, *2010-11 Service Delivery*, is the main source of detailed information on the Budget's new output and asset funding initiatives. These initiatives may involve funding allocations across part or all of the four year period 2010-11 to 2013-14.

The information in the Budget's appendix on new output and asset funding initiatives is extensive and covers 80 pages.<sup>39</sup> The appendix includes a listing of government-wide funding initiatives, grouped under particular headings such as 'Bushfire recovery and reconstruction activities', and alphabetical listings of individual initiatives for each department. Funding allocations for each year to 2013-14 are separately recorded and totalled. All funding initiatives are accompanied by useful descriptions of their salient features and linked to the relevant departmental outputs.

The information presented in the appendix to Budget paper No.3 is not aggregated in a summary table, however, the *2010-11 Strategy and Outlook* document (Budget Paper No.2), includes tables that disclose the net financial impact across each department for 2010-11 and over the forward estimates period to 2013-14 of new output funding initiatives and the aggregate value of new asset funding initiatives for each department and the related total estimated investment. Table 2.3 brings together the information on new output and asset funding initiatives shown in the tables in the *2010-11 Strategy and Outlook* budget document.

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39 Budget Paper No.3, *2010-11 Service Delivery*, pp.279–359

**Table 2.3: New output and asset initiatives announced in 2010-11 Budget**

Department	Output initiatives <sup>(a) (b)</sup>		Asset initiatives	
	2010-11 Budget (\$ million)	2011-12 to 2013-14 estimates (\$ million)	2010-11 Budget (\$ million)	Total estimated asset investment <sup>(c)</sup> (\$ million)
Education and Early Childhood Development	60.2	97.4	82.5	236.4
Health	283.0	572.6	142.5	1,285.0
Human Services	44.1	100.6	3.1	11.1
Innovation, Industry and Regional Development	67.2	118.7	43.1	80.1
Justice	114.3	611.0	22.6	153.2
Planning and Community Development	48.3	71.8	80.2	414.5
Premier and Cabinet	7.7	13.6	13.7	13.7
Primary Industries	3.4	12.7	2.8	9.6
Sustainability and Environment	10.9	32.1	10.8	21.9
Transport	26.8	31.4	221.5	1,521.0
Treasury and Finance	96.5	56.1	-	-
Parliament	1.5	4.2	-	-
Government-wide	157.8	501.5	50.9	65.9
<b>Total 2010-11 Budget funding</b>	<b>921.7</b>	<b>2,223.6</b>	<b>673.7</b>	<b>3,812.4</b>
Less: Funding from demand and other efficiencies	503.2	981.5	n/a	n/a
<b>Net impact of 2010-11 budget initiatives</b>	<b>418.5</b>	<b>1,242.1</b>	<b>673.7</b>	<b>3,812.4</b>

Notes (direct from budget papers):

- (a) These numbers show the net impact on the general government sector net result from transactions and differ from Budget Paper No.3, Appendix A, Output, Asset Investment and Revenue initiatives as amounts funded from internal reprioritisation or other existing sources have been deducted from the figures above.
- (b) Variance is primarily attributable to initiatives funded from within the 2010-11 Budget.
- (c) Total estimated investment includes projects which are to be delivered through the public non-financial corporations sector on behalf of the Government.

Source: Budget Paper No.2, 2010-11 Strategy and Outlook, pp.41, 46

Consistent with the practice in previous years, the information presented in the *2010-11 Strategy and Outlook* budget document on new funding initiatives, as per Table 2.3, shows that two sets of deductions are made from the detailed data for such initiatives disclosed in the Service Delivery budget document to arrive at the projected net cost of delivering the initiatives. These deductions are as follows:

- the deduction described in the table’s note (a), which is described in the budget papers as ‘*amounts funded from reprioritisation or other existing sources*’ — no further information is included on the nature of such reprioritisation or existing sources; and
- the deduction relating specifically to output initiatives only, which is shown in Table 2.3 as sizeable subtractions totalling almost \$1.5 billion to 2013-14 due to ‘*demand and other efficiencies*’ — no further information is included with the table to explain the nature of this item.

The Committee has previously commented that the budget papers should include a reconciliation of the detailed funding estimates for new initiatives shown in Appendix A of the *Service Delivery* budget document with the estimated net cost to the budget of delivering those initiatives, as summarised in the Strategy and Outlook budget document.<sup>40</sup> The Committee also considers that greater transparency would be achieved if an explanation of the nature of both deductions were incorporated into the budget papers. It would also give visibility to the steps taken by the Government aimed at reducing the expected financial impact of the Budget’s new funding initiatives.

### **2.6.1 Efficiency strategies included in past budgets**

Although the connection is not addressed in the budget papers, the Committee assumes the ‘*other efficiencies*’ component of the deduction shown in the body of Table 2.3 has some relationship to the Government’s recent efficiency strategies reflected in recent budget papers, including those pursued under the *Efficient Government Policy*.

Since 2007-08, the Government has assigned significant output efficiency targets to individual departments under its *Efficient Government Policy* and other general efficiency strategies. These efficiency targets have extended over several forward estimates periods up to and including 2012-13.

No new efficiency targets for departments have been separately identified in the 2010-11 Budget and the budget papers do not refer to the savings targets applicable to 2010-11 which have been set in prior budgets. The Committee has summarised these savings targets, which total \$478.8 million, in Table 2.4.

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40 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates — Part Two*, October 2009, p.32

**Table 2.4: 2010-11 component of output efficiency targets assigned to departments in the 2007-08, 2008-09 and 2009-10 Budgets**

Efficiency strategy	2010-11 component (\$ million)
<i>2007-08 Budget</i>	
Efficient Government Policy — four years to 2010-11	146.0
Other efficiencies — four years to 2010-11	63.6
<i>2008-09 Budget</i>	
General efficiencies in administration — four years to 2011-12	125.0
<i>2009-10 Budget</i>	
General efficiencies — four years to 2012-13	144.2
<b>Total</b>	<b>478.8</b>

Sources: Compiled by the Committee from information in Budget Paper No. 3, 2007-08 Service Delivery, p.344; Budget Paper No. 3, 2008-09 Service Delivery, p.358; and Budget Paper No. 3, 2009-10 Service Delivery, p.368

It can be seen from Table 2.4 that 2010-11 represents the final year of the four-year period of efficiencies targeted in 2007-08 under the Government's *Efficient Government Policy* and its initial 'other efficiencies' savings program. The Committee therefore considers it will be important for the Government to include in its 2010-11 annual financial report information on the effectiveness of its delivery of the *Efficient Government Policy* and other efficiency measures which were concluded in 2010-11.

The Committee also considers that the Government should reiterate in budget papers for the next two years details of the remaining efficiency targets, as announced in earlier budgets, to be realised by departments in those years. The published information should include a summary of the main efficiency strategies to be implemented by individual departments.

## 2.7 Contingency provisions

Contingency provisions available to the Government in the general government sector, as presented in the 2010-11 budget papers, fall into three categories, namely:

- contingencies for unallocated operating expenses;
- contingencies for unallocated capital spending; and
- the year's contingency provision available as an Advance to the Treasurer proposed in the Appropriation (2010/11) Bill 2010.

The dissection of budgeted operating expenses by departments presented in Table 3.1 of Budget Paper No.4, discloses that '*contingencies not allocated to departments*' are estimated to total \$442.5 million in 2010-11 as part of an aggregate of \$7.8 billion for the four year period to 2013-14.<sup>41</sup> An explanatory note to the table states that this contingency:

*...includes a provision for program lapsing, future demand growth, items not yet formalised at the time of the Budget and an allowance for departmental underspending in 2010-11 which may be subject to carryover into 2011-12...*

41 Budget Paper No.4, 2010-11 Statement of Finances, p.108

The contingency provision for unallocated capital spending is presented in Budget Paper No.2 as a ‘*capital provision approved but not yet allocated*’ amounting to \$1.2 billion over the three-year forward estimates period 2011-12 to 2013-14 (nil in 2010-11).<sup>42</sup> This provision forms part of the computation of estimates for the net cash investment in fixed assets which, as described in the Committee’s earlier commentary on infrastructure funding, is projected to be financed up to but not including 2013-14 by a combination of operating cash surpluses and an increase in net debt.

The third form of contingency provision in 2010-11, an Advance to the Treasurer, is proposed in the Appropriation (2010/11) Bill 2010 currently before Parliament to meet urgent claims that may arise before Parliamentary sanction is obtained. The proposed 2010-11 estimate included in the Bill within the appropriation of the Department of Treasury and Finance is \$1.1 billion.<sup>43</sup>

Table 2.5 brings together these three contingency items and shows their estimated provision over the four-year period to 2013-14.

**Table 2.5: Contingency items within the 2010-11 Budget and Appropriation Bill**

Contingency item	2010-11 (\$ million)	2011-12 (\$ million)	2012-13 (\$ million)	2013-14 (\$ million)	Total (\$ million)
<i>Output contingencies</i>					
Output contingencies not allocated to departments <sup>(a)</sup>	442.5	1,815.0	2,576.6	2,979.9	7,814.0
Advance to the Treasurer to meet urgent claims that may arise before Parliamentary sanction <sup>(b)</sup>	1,085.8	-	-	-	1,085.8
<b>Total<sup>(b)</sup></b>	<b>1,528.3</b>	<b>1,815.0</b>	<b>2,576.6</b>	<b>2,979.9</b>	<b>8,899.8</b>
<i>Asset contingencies</i>					
Capital provision approved but not yet allocated <sup>(c)</sup>	-	215.0	411.0	581.0	1,207.0

Sources:

- (a) *Budget Paper No. 4, 2010-11 Statement of Finances, p.108*
- (b) *Appropriation (2010/11) Bill 2010, page 16 of Schedule 1. The total shown is a minimum figure as, based on past practice, it is likely that a similar provision would be made for each year beyond 2010-11. The Public Finance and Accountability Bill 2009, currently before Parliament, proposes replacement of the annual Advance to the Treasurer with supplementation provisions which, subject to conditions, have an upper limit of three per cent of total appropriations.*
- (c) *Budget Paper No. 2, 2010-11 Strategy and Outlook, p.44*

42 Budget Paper No.2, 2010-11 Strategy and Outlook, p.44

43 Appropriation (2010/11) Bill 2010, Schedule 1, p.16

The equivalent total output and asset contingencies included in last year's budget, not including the estimated Advance to the Treasurer, were \$3.9 billion and \$1.7 billion respectively. The estimated level of output contingencies not yet allocated to departments over the four years to 2013-14 has therefore increased by \$3.9 billion when compared with the equivalent forward projection in the previous budget, while the provision for unallocated asset spending is \$456.0 million lower.

The proposed provision for the Advance to the Treasurer of \$1.1 billion in 2010-11 is \$186 million higher than the equivalent estimate in 2009-10. Assuming broadly similar provisions in future years, aggregate output contingencies are likely to amount to well in excess of \$9 billion over the four year period to 2013-14.

The Committee has previously reported that it is difficult to be precise on what constitutes an appropriate level of contingency provisions for any four-year forward estimates period. On the one hand, it can be argued that adequate allowance for contingencies in budget estimates is a fundamental component of sound risk management in order to guard against the impact of unforeseen occurrences or changes in global or economic conditions. The counter argument is that excessive reserve provisions in budgets should be avoided with freed up funds redirected.

Without favouring a view one way or the other on the ideal quantum of contingency provisions, the Committee has previously concluded that the management of contingencies is a significant element of the Government's fiscal responsibilities. It has expressed the view that, from an accountability perspective, there was scope for greater transparency in the presentation of contingencies, including their role and impacts in the budgetary process and the basis adopted for their quantification.<sup>44</sup> The Committee considers these comments remain relevant given the magnitude of the current contingency provisions and the limited explanatory information on contingencies incorporated annually in the budget papers.

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44 Public Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates — Part Three*, September 2008, p.34



## CHAPTER 3: GENERAL GOVERNMENT SECTOR ASSET INVESTMENT

### Key findings of the Committee:

- 3.1 The 2010-11 Budget provides for total net investment in fixed assets of \$20.1 billion over the next four years, commencing with \$6.4 billion in 2010-11. Average investment over the forward estimates period is budgeted at \$4.6 billion per year.
- 3.2 The budget papers indicate that by 2013-14 the general government sector infrastructure program will be funded entirely from cash operating surpluses.
- 3.3 Over the four-year period to 2013-14, the Government expects that 74 per cent of funding for the State's infrastructure program will be sourced from operating surpluses, with borrowings funding the remainder of the program.
- 3.4 Funding for new asset investment in 2010-11 is \$1.5 billion, substantially less than the amount provided in the previous budget (\$3.3 billion in 2009-10). This decrease of \$1.8 billion (or 55 per cent) is primarily a result of reduced funding from the Commonwealth Government as the economic stimulus program begins to wind down.
- 3.5 Departments should make appropriate disclosures in their annual reports on the progress and outcomes of their asset investment projects.
- 3.6 Major Projects Victoria should develop suitable performance measures upon which the progress of major projects can be measured and include reporting on them in future annual reports.

### 3.1 Introduction

The Victorian Government owns and maintains a wide variety of public sector assets, comprising land, buildings, infrastructure, plant and equipment. The Committee noted the value of the general government sector net assets at 30 June 2011 is projected to be \$96.7 billion.<sup>1</sup>

As stated in the 2010-11 Budget, the Government's objectives for infrastructure investment are to implement strategic infrastructure projects in the short-term and to deliver world-class infrastructure to maximise economic, social and environmental benefits in the longer-term.<sup>2</sup>

The budget papers deal predominately with the general government sector. Consequently, this chapter provides analysis and comment on asset investment in that sector (covering departments and their constituent entities). Other agencies outside the general government sector (e.g. public non-financial corporations and public financial corporations) report asset investment separately and therefore are not included in the scope of this chapter.

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1 Budget Paper No.4, *2010-11 Statement of Finances*, p.56

2 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.6

Included in the budget papers this year was Budget Information Paper No.1, *2010-11 Public Sector Asset Investment Program*. This paper, which contains information on all key infrastructure projects for both the general government sector and projects managed by public non-financial corporations, has previously been published about five months after the Budget in the following October. The Committee notes the release of this information paper simultaneously with the Budget in May 2010 as a positive enhancement which benefits the Parliament and the community.

### **3.2 Trend analysis of net investment in fixed assets as a percentage of gross state product**

During the years 2004-05 to 2007-08, total net asset investment grew steadily both in absolute terms and as a proportion of the gross state product (GSP). However, as Table 3.1 highlights, there were two significant increases in budgeted net asset investment in 2009-10 and 2010-11, reflecting the Government's initiatives in dealing with the downturn in the global economy. Net asset investment in 2009-10 was \$6.9 billion (2.4 per cent of GSP) reducing to \$6.4 billion (2.1 per cent of GSP) in the 2010-11 Budget. This compares with an average asset investment of \$3.3 billion over the 5-year period 2004-05 to 2008-09.

Annual net investment in fixed assets is expected to fall significantly (both in absolute terms and as a proportion of GSP) over the forward estimates period, from \$6.4 billion in 2010-11 to \$3.9 billion in 2013-14, a decrease of around 40 per cent.

As indicated in Table 3.1, net asset investment as a proportion of GSP is projected to reduce to more normal levels of around 1.2 per cent by 2013-14.

**Table 3.1: Net investment on fixed assets as a percentage of gross state product**

	2004-05 (\$ million)	2005-06 (\$ million)	2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	2011-12 (\$ million)	2012-13 (\$ million)	2013-14 (\$ million)
Total net investment in fixed assets <sup>(a)</sup>	2,373.3	2,691.5	3,281.5	3,926.9	4,051.2	6,960.6	6,369.5	5,162.2	4,626.5	3,938.3
Gross state product <sup>(b)</sup>	217,047	228,198	242,595	255,705	283,780	290,169	299,599	308,587	317,845	327,380
Total net investment in fixed assets as a percentage of gross state product	1.1	1.2	1.4	1.5	1.4	2.4	2.1	1.7	1.5	1.2

**Notes:**

- (a) *The total net investment in fixed assets for the period 2004-05 to 2008-09 is derived from the Annual Financial Reports for the State of Victoria. The 2009-10 figure is derived from the budget estimate figure shown in Budget Paper No.2, 2009-10 Strategy and Outlook, p.49. Figures for 2010-11 to 2013-14 are derived from the budget estimate figures shown in Budget Paper No.2, 2010-11 Strategy and Outlook, p.44*
- (b) *Gross state product (GSP) is the total market value of goods and services produced in a state or territory within a given period, after deducting the cost of goods and services used up in the process of production, but before deducting allowances for the consumption of fixed capital. Typically, when calculating GSP, the Australian Bureau of Statistics adjusts historical GSP to reflect current prices. To ensure a valid comparison with the total net investment in fixed assets figures, the Committee has used the unadjusted GSP figures published in the 'Australian National Accounts State Accounts 5220.0' for each year for the period 2004-05 to 2007-08. The GSP figure for 2008-09 has been calculated by the Committee using the forecast increase identified in Budget Paper No.2, 2009-10 Strategy and Outlook, p.21. The figures for 2010-11 to 2013-14 have been calculated by the Committee using the forecast increases identified in Budget Paper No.2, 2010-11 Strategy and Outlook, p.19*

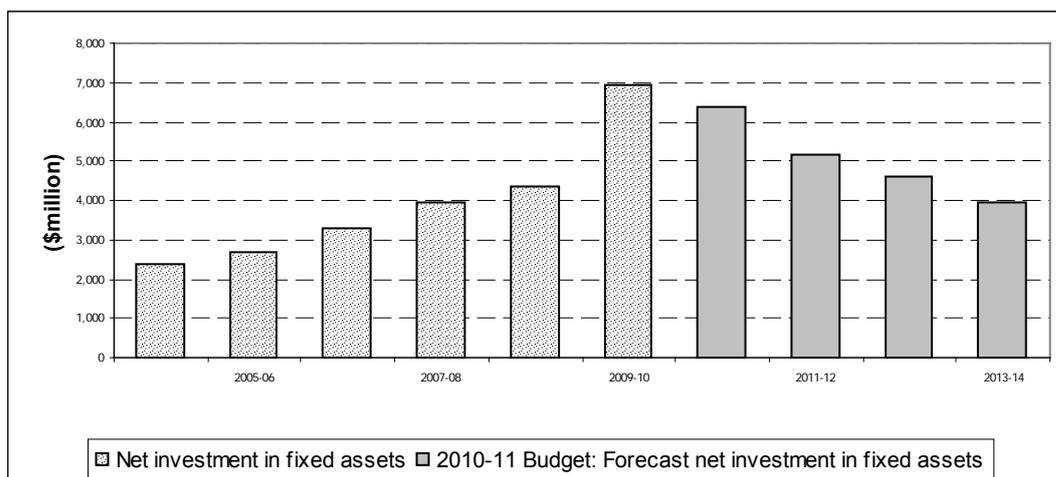
**Sources:**

*Australian Bureau of Statistics, Australian National Accounts State Accounts 5220.0 2004-05 to 2007-08  
Financial Reports for the State of Victoria 2004-05 to 2008-09  
Budget Paper No.2, 2009-10 Strategy and Outlook  
Budget Paper No.2, 2010-11 Strategy and Outlook*

### 3.3 Asset investment provisions within the 2010-11 Budget estimates

The 2010-11 Budget provides for total net investment in fixed assets of \$20.1 billion over the next four years, commencing with \$6.4 billion in 2010-11. Average investment over the three-year forward estimates period is budgeted at \$4.6 billion per year.<sup>3</sup> The Committee has noted that net asset investment is progressively reducing over the forward estimates period to more normal levels as the economy starts to recover from the Global Financial Crisis.

**Figure 3.1: Government sector asset investment program 2004-05 to 2013-14**



The Committee notes that in the period 2010-11 to 2013-14, total infrastructure investment is projected to exceed estimated depreciation, resulting in growth of around 3.2 per cent in the general government real capital stock<sup>4</sup> over the four-year period.<sup>5</sup> The Committee also notes that real capital stock per capita is expected to remain at historically high levels across the forward estimates period, but to reduce in 2012-13 and 2013-14 as capital investment returns to more normal levels as the economy improves.<sup>6</sup>

The Government expects that by 2013-14 the general government sector infrastructure program will be funded entirely from cash operating surpluses.<sup>7</sup> For the intervening period, the Government has indicated that 74 per cent of funding for asset investment is expected to come from cash operating surpluses and the remainder to come from borrowings.<sup>8</sup> To achieve this budget aim, the Government is forecasting an operating surplus of \$871.9 million in 2010-11 and an average of \$1.2 billion per year over the forward estimates.<sup>9</sup>

3 *ibid.*, p.44

4 The general government sector real capital stock is the accumulation of past acquisitions of land, buildings, infrastructure, equipment and intangible assets, less amounts used up in depreciation.

5 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.9

6 *ibid.*

7 *ibid.*, p.31

8 *ibid.*, p.44

9 *ibid.*, p.32

The Committee notes that the Government intends to borrow \$1.2 billion in 2010-11 to partially fund asset infrastructure investment. Net borrowings are expected to increase to \$1.5 billion in 2011-12 and then reduce substantially in 2012-13 to \$175.4 million and to nil borrowing in 2013-14.<sup>10</sup>

On the basis of information contained in the budget papers, the Committee has calculated that in 2013-14 projected net operating cash flows totalling \$4,022.4 million will more than offset the total estimated net investment in fixed assets of \$3,938.3 million in that year.<sup>11</sup>

A stated aim of the Government's debt strategy is to '*fund infrastructure predominately from operating surpluses and return infrastructure investment to sustainable levels*'.<sup>12</sup> The Committee notes that the Government's commitment to this strategy is illustrated by the amount of net debt as a proportion of GSP being around 1 per cent lower at the end of the forward estimates, compared to what was expected in the 2009-10 Budget, and by general government net debt declining from \$15.835 billion in June 2013 to \$15.795 billion in June 2014.<sup>13</sup>

**Table 3.2: Net debt over the forward estimates period as at 30 June each year**

	2009 (revised)	2010 (revised)	2011 (budget)	2012 (estimate)	2013 (estimate)	2014 (estimate)
General government net debt (\$ billion)	5.2	8.7	11.7	14.5	15.8	15.8
Net debt as a proportion of GSP (%)	1.9	2.8	3.5	4.1	4.3	4.1

Source: Budget Paper No.2, 2010-11 Strategy and Outlook, p.51

### 3.4 Asset funding by department during 2010-11

In response to the Committee's 2010-11 budget estimates questionnaire, the departments provided details of their respective asset investment projects for 2010-11.

Table 3.3 summarises key asset investment expenditure for 2010-11 by department. For all departments, this table includes funding for both existing and new investment programs.

10 *ibid.*, p.34

11 Budget paper No.2, 2010-11 Strategy and Outlook, p.44

12 Budget Paper No.2, 2010-11 Strategy and Outlook, p.52

13 *ibid.*

**Table 3.3: Departmental asset investments for funding during 2010-11**

Department	Asset investment program	2010-11 Budget (\$ million)	2010-11 Budget total (\$ million)
Education and Early Childhood Development	Primary Schools for the 21 <sup>st</sup> Century (BER)	939.4	<b>1,400.8</b>
	Regeneration	137.2	
	Modernisation	107.1	
	New and replacement schools	56.5	
	Bushfire compliance and protection	41.0	
	Select entry schools	25.1	
	Relocatable classroom renewal	24.2	
	School improvement	20.7	
	Other projects	49.6	
Health	Parkville Comprehensive Cancer Centre	105.6	<b>579.3</b>
	Sunshine Hospital expansion and redevelopment	42.7	
	Warrnambool Hospital redevelopment	36.1	
	Medical Equipment Replacement Program	35.0	
	Bendigo Hospital — Stage 1	28.9	
	Kingston Centre redevelopment — Stage 2	25.5	
	Box Hill Hospital redevelopment	20.0	
	State-wide Infrastructure Renewal Program	20.0	
	Dandenong Hospital Mental Health redevelopment and expansion	17.1	
	North Richmond Community Health Centre relocation	16.7	
	Alexandra District Hospital and Ambulance Station redevelopment	16.0	
	Other projects	215.7	
Human Services	My Future My Choice (MFMC) — Stage 2	6.4	<b>21.0</b>
	Out of Home Care — Upgrading Existing Residential Care Facilities	4.0	
	Other projects	10.6	
Innovation, Industry and Regional Development	Melbourne Wholesale Markets redevelopment (Epping)	124.2	<b>283.5</b>
	Princes Pier Restoration — Stage 2 (Port Melbourne)	20.0	
	TAFE Student Management System	19.8	
	Melbourne Exhibition Centre expansion	17.7	
	Australian Synchrotron	15.8	
	Automotive Centre of Excellence — Kangan Batman (Docklands)	12.1	
	Other projects	73.9	

<b>Department</b>	<b>Asset investment program</b>	<b>2010-11 Budget (\$ million)</b>	<b>2010-11 Budget total (\$ million)</b>
Justice	Building Confidence in Corrections — Construction/Asset Enhancement	101.9	<b>309.6</b>
	CFA Radio Replacement — Emergency Response	25.8	
	Modernising Coronial Services — Construction	22.7	
	Infringement Management and Enforcement Services — Enhancement/Equipment	21.6	
	Response to Victorian Bushfire Emergency — Triple 0 equipment upgrade	12.8	
	CFA Rural Fire Stations Program (Stage One)	11.3	
	Other projects	113.5	
Planning and Community Development	Melbourne Park Redevelopment — Stage 1	56.6	<b>163.5</b>
	State Sports Facility project — upgrade	30.0	
	Ringwood Central Activities District — Stage 1 — upgrade works	17.2	
	State Shooting Centre	12.5	
	Other projects	47.2	
Premier and Cabinet	Southbank cultural precinct redevelopment	40.2	<b>55.4</b>
	Scienceworks' Visitor and Community Safety Refurbishment	7.5	
	Other projects	7.7	
Primary Industries	New Biosciences Research Centre	15.6	<b>37.5</b>
	Redevelopment of Melbourne Showgrounds	11.4	
	Other projects	10.5	
Sustainability and Environment	Northern Victoria Irrigation Renewal Project	165.1	<b>281.7</b>
	Grasslands	20.1	
	Barwon Water — Shell Recycling Project	17.7	
	Melbourne-Geelong Pipeline	17.0	
	Fire Protection Access: Bridge replacement	15.0	
	Project 000 Response (State-wide)	15.0	
	Other projects	31.8	

Department	Asset investment program	2010-11 Budget (\$ million)	2010-11 Budget total (\$ million)
Transport	Regional Rail Link	510.0	2,850.9
	Rolling Stock	448.7	
	Rail Network and Station works	323.1	
	M80 Upgrade	253.8	
	Other Roadworks	206.4	
	West Gate Monash Freeways Improvement Project	155.1	
	Other Public Transport projects	148.7	
	Better Roads — Rural	140.2	
	Better Roads — Metropolitan	119.2	
	Western Highway Project	102.7	
	Ticketing Solution	80.8	
	South Morang Rail Extension	80.6	
	Safer Road Infrastructure Program	75.0	
	Sunbury Electrification	74.8	
	Caulfield-Dandenong Rail Corridor Stage Two — Westall Rail Upgrade	72.8	
Train Safety initiatives	59.0		
Treasury and Finance	Efficient technology services	11.9	20.7
	Other projects	8.8	
Parliament	Heritage Asset Management Strategy	2.0	2.0
<b>Total</b>			<b>5,938.6</b>

Source: *Departmental responses to the Committee's 2010-11 budget estimates questionnaire (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, Appendix 1)*

As illustrated in Table 3.3 above, an amount of \$4.8 billion, or 81 per cent, of key asset investment expenditure for 2010-11 as advised by the departments is allocated to the departments of Transport (48.0 per cent), Education and Early Childhood Development (23.6 per cent) and Health (9.8 per cent).

### 3.5 Asset investment observations

The new asset investment initiatives announced in the 2010-11 Budget have a total estimated investment (TEI) of \$10.0 billion.<sup>14</sup> Funding for new asset investment in 2010-11 is \$1.5 billion, substantially less than the amount provided in the previous budget (\$3.3 billion in 2009-10). This decrease of \$1.8 billion (or 55 per cent) from the previous year is primarily as a result of reduced funding from the Commonwealth Government as the economic stimulus program begins to wind down.

Details of new asset funding in 2010-11 by department are provided in Table 3.4.

14 *ibid.*, p.46

**Table 3.4: New asset funding in 2010-11 Budget by department**

Department	TEI <sup>(a)</sup> (\$ million)	2010-11 Budget (\$ million)	Proportion of 2010-11 Budget new asset funding (%)
Education and Early Childhood Development	236.4	82.5	12.2
Health	1,285.0	142.5	21.1
Human Services	11.1	3.1	0.5
Innovation, Industry and Regional Development	80.1	43.1	6.4
Justice	153.2	22.6	3.4
Planning and Community Development	414.5	80.2	11.9
Premier and Cabinet	13.7	13.7	2.0
Primary Industries	9.6	2.8	0.4
Sustainability and Environment	21.9	10.8	1.6
Transport	1,521.0	221.5	32.9
Treasury and Finance	-	-	-
Parliament	-	-	-
Government-wide	65.9	50.9	7.6
<b>Total 2010-11 Budget asset funding</b>	<b>3,812.4</b>	<b>673.7</b>	<b>100.0</b>
Add: 2009-10 Budget Update asset funding	6,230.4	863.7	
<b>Asset funding since the 2009-10 Budget</b>	<b>10,042.8</b>	<b>1,537.4</b>	

Note: (a) Includes projects which are to be delivered through the public non-financial corporations sector on behalf of the Government

Source: Budget Paper No.2, 2010-11 Strategy and Outlook, p.46

As detailed in Table 3.4, the majority of funding for new asset initiatives is to be allocated between four departments, namely:

- Transport (\$221.5 million);
- Health (\$142.5 million);
- Education and Early Childhood Development (\$82.5 million); and
- Planning and Community Development (80.2 million).

### 3.6 Expenditure in 2010-11 by department

The Committee offers the following comments on the six departments with the largest budgeted capital expenditure programs during 2010-11.

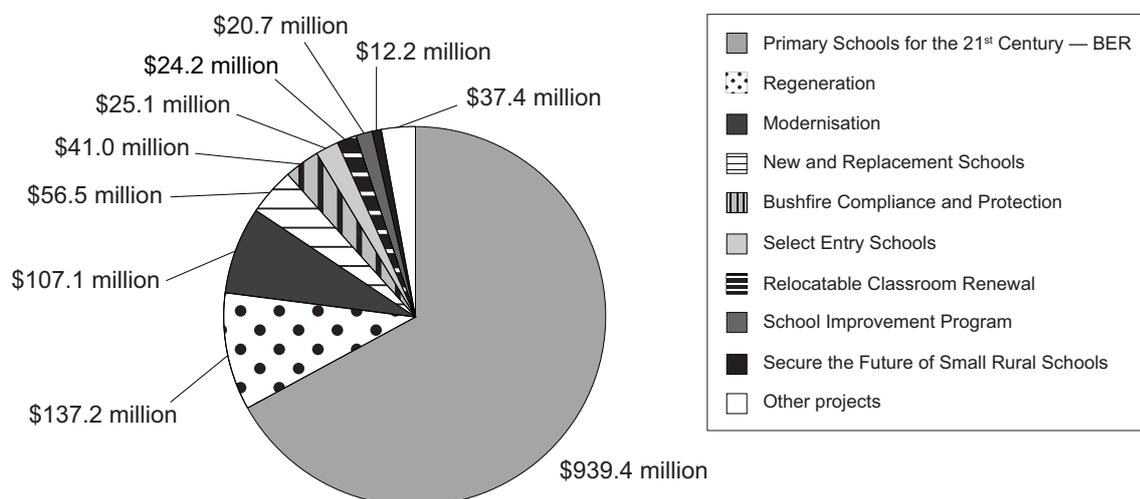
### 3.6.1 The Department of Education and Early Childhood Development

In response to the Committee’s 2010-11 budget estimates questionnaire, the Department provided details of its asset infrastructure investment budget for 2010-11. The Department expects to invest \$1.4 billion in major infrastructure projects in 2010-11.<sup>15</sup>

The Department’s 2010-11 capital expenditure program includes \$939.4 million in special purpose grants from the Commonwealth to be delivered under the economic stimulus plan — *Building the Education Revolution* (BER). These funds come through the *Primary Schools of the 21<sup>st</sup> Century* program. Other major items of infrastructure spending include \$137.2 million on regeneration projects; \$107.1 million on school modernisation; \$56.5 million for new and replacement schools; and \$41.0 million for bushfire compliance and protection.<sup>16</sup>

The Department’s allocation of infrastructure investment expenditure from both State and Commonwealth sources is shown at Figure 3.2.

**Figure 3.2: Department of Education and Early Childhood Development budgeted expenditure 2010-11 (including Commonwealth funding)**



Source: Department of Education and Early Childhood Development, response to the Committee’s budget estimates questionnaire (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates Part One*, May 2010, pp.91–2)

15 Department of Education and Early Childhood Development, response to the Committee’s Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, pp.91–2)

16 *ibid.*

At the estimates hearing for the Education portfolio held in May 2010, the Minister for Education briefed the Committee on the progress of the BER program. The Minister advised that *‘the project will deliver 2,904 projects worth \$2.5 billion and that BER is progressing very well in Victoria.’*<sup>17</sup> The Minister also indicated that 84 per cent of projects are either underway or completed; with a further 16 per cent in the pre-contract stage, i.e. they are awaiting the finalisation of their tender.<sup>18</sup>

The Committee enquired about the project costs related to the BER project and the potential for blow-outs, and requested from the Minister a commitment to release the details of those project costs for each of the BER projects. In response, the Minister advised that all BER projects had been tendered to pre-qualified builders in order to derive the benefits of a competitive bidding process and also that no contracts had been awarded unless they offered value for taxpayers’ money.<sup>19</sup> The Minister indicated that once the tendering process had been completed, costing information will be released.<sup>20</sup>

The Committee acknowledges the commitment given by the Minister for Education to release costing details for the BER program at the appropriate time. The Committee looks forward to examining these costing details at some future date.

The Committee notes that in this budget, an additional \$381 million (TEI) of funding will complete the \$1.9 billion first tranche of the *Victorian Schools Plan*, which has now funded the rebuilding or modernisation of 553 government schools across the State.<sup>21</sup> The Committee further notes that the combined *Victorian Schools Plan* and BER funding has seen 1,437 schools receive capital works since 2006.<sup>22</sup>

### ***Unapplied output and asset funding carried forward to this budget year***

The Department estimated that the capital carryover amount, based on available information as at February 2010, was \$29.9 million. Reasons provided for significant carryover amounts were:<sup>23</sup>

- *Ultranet (\$10.4 million) — related to contractor payments due under the terms of the contract and will not affect the delivery of the Ultranet which is scheduled to be completed by the third quarter of 2010;*
- *Regeneration (\$10.4 million) — predominantly due to the revised implementation timeframes for the Altona/Bayside Regeneration (Altona North Campus), Broadmeadows Regeneration (Dallas/Upfield), Dandenong, Heidelberg and Leongatha Regeneration projects;*
- *Modernisation (\$3.8 million — primarily due to revised project timeframes for several projects including Dingley Primary School, Sussex Heights Primary School and Western Port Secondary College; and*

17 Hon. B. Pike MP, Minister for Education, 2010-11 budget estimates hearing, transcript of evidence, 13 May 2010, (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.A3)

18 *ibid.*

19 *ibid.*, p.A6

20 *ibid.*

21 Budget Paper No.3, *2010-11 Service Delivery*, p.6

22 *ibid.*, p.20

23 Department of Education and Early Childhood Development, response to the Committee’s Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.94)

- *Technical Wings and Trade Equipment (\$5.3 million) — this program is running in conjunction with construction works funded through other approved asset initiatives. The estimated carry forward is a result of project construction timeframes in these asset initiatives.*

The Department advised the Committee that spending of all capital carried forward funding is expected to occur in 2010-11.<sup>24</sup>

### **Future infrastructure challenges and forward looking assessment of infrastructure needs**

The Department indicated that ‘it faces a number of key infrastructure challenges in managing a large and diverse asset base portfolio.’ Key challenges since last year include:<sup>25</sup>

- the *Building the Education Revolution* program; and
- ensuring bushfire preparedness for schools in high risk areas.

### **Outcomes of forward-looking assessment of infrastructure**

In relation to future infrastructure demand and future needs, the Department advised the Committee that its asset management framework included assessing future infrastructure demand. The Department is also focussing on ensuring the provision of high quality education and early childhood services, while meeting the changing needs of Victoria’s population.<sup>26</sup>

The Department indicated that its long-term provision planning involves a complex interaction of education service planning and asset management responsibilities, including sophisticated data gathering, analysis and forecasting with key stakeholders.<sup>27</sup>

### **3.6.2 The Department of Health**

The Committee noted the formation of the new Department of Health (formerly part of the Department of Human Services) in August 2009 to focus on improving services to Victorian communities and families.

In response to the Committee’s 2010-11 budget estimates questionnaire, the Department provided details of asset investment projects for which capital expenditure is budgeted to occur in 2010-11. Figure 3.3 provides details of the Department’s budgeted infrastructure expenditure, totalling \$579.2 million in 2010-11, which is to be spent predominately on the State’s hospitals.

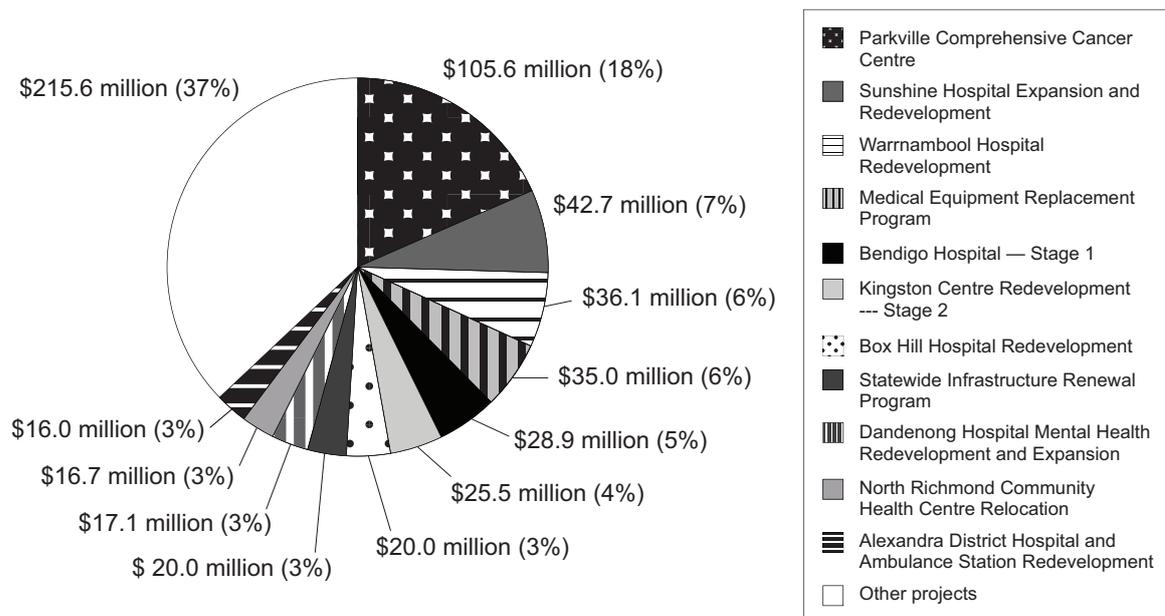
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24 *ibid.*

25 Department of Education and Early Childhood Development, response to the Committee’s Budget Estimates Questionnaire — Part A, received 28 April 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.88)

26 *ibid.*, pp.88–9

27 *ibid.*

**Figure 3.3: Department of Health budgeted expenditure 2010-11 (including Commonwealth funding)**

Source: Department of Health, response to the Committee's budget estimates questionnaire (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, pp.119–122)

The Department of Health identified 72 separate infrastructure expenditure projects with a total TEI of around \$3.5 billion. Of these projects, 20 are new projects (\$2.3 billion TEI) announced in the 2010-11 Budget.<sup>28</sup> Major highlights of the Department's capital expenditure program for 2010-11 include:

- Parkville Comprehensive Cancer Centre — This project is one of two Partnerships Victoria projects currently under procurement. TEI for this project is \$1.07 billion. The Committee noted that the capital costs of this project are to be equally funded by the Commonwealth and Victorian governments, each contributing \$426.1 million, with an additional \$219 million from non-government sources. A private consortium will design, build, finance and maintain the Centre's facilities, with responsibility of all core clinical, research and education services to be retained by the project partners including the State. A contract is expected to be entered into in the first half of 2011, and construction completed in 2015.<sup>29</sup>

The Department's budget allocation for construction of the Centre in 2010-11 is \$105.6 million, representing 18 per cent of the Department's total asset investment budget for the year.<sup>30</sup>

28 Department of Health, response to the Committee's Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, pp.119–22)

29 Budget Paper No.2, 2010-11 Strategy and Outlook, p.62

30 Department of Health, response to the Committee's Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, p.122)

- Sunshine Hospital Expansion Redevelopment — The Budget allocates \$42.7 million to complete stages one and two of the redevelopment project. In addition, new funding of \$90.5 million TEI is allocated to deliver the third and final stage of the Government’s commitment to the project.<sup>31</sup>
- New Bendigo Hospital — will be the largest regional hospital project undertaken in Victoria. TEI for this project is \$473 million.<sup>32</sup>
- Box Hill Hospital — \$407.5 million TEI in additional funding has been allocated in the 2010-11 Budget towards the cost of redeveloping the hospital.<sup>33</sup>

These projects are discussed further in Section 11.3 of Chapter 11.

### ***Unapplied output and asset funding carried forward to this budget year***

The Department advised the Committee of an estimated capital carryover totalling \$44.9 for its asset investment program, including Commonwealth contributions, for 2009-10.<sup>34</sup>

The Department indicated that the underlying reasons for the estimated unspent cash flows included unforeseen latent soil conditions, inclement weather (such as site flooding), rectification of town planning issues and prolonged planning and design processes.<sup>35</sup>

The Department advised the Committee that its estimated unspent capital cash flow for 2009-10 will be spent in 2010-11 as implementation of the overall asset program progresses.<sup>36</sup>

### ***Future infrastructure challenges and forward-looking assessment of infrastructure needs***

The Department pointed out that the formation of the Department of Health in 2009 did not change the future challenges in health services infrastructure. The Department’s challenges still include:<sup>37</sup>

- *to build and sustain a value-for-money health system across all areas;*
- *meeting ongoing service demand pressures efficiently and effectively with acceptable risk;*
- *meeting service demands, increasing at levels previously unexpected and unprecedented;*
- *service reconfiguration requirements to efficiently accommodate new technologies, models of care and redistribution of funded services to meet changing health services needs;*
- *appropriateness, fitness-for-purpose and location of facilities to meet known and emerging service requirements;*

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31     ibid., p.121

32     ibid., p.122

33     ibid., p.121

34     ibid., p.123

35     ibid.

36     ibid.

37     ibid., p.114

- *existing asset base size, age and scale of periodic asset investment to sustain existing services at appropriate standards; and*
- *the need for higher performing more efficient plant and equipment to achieve Government environmental policy/climate change objectives.*

### **Outcomes of forward-looking assessment of infrastructure**

The Department advised that it reviews infrastructure demands and future needs to achieve optimal health and wellbeing outcomes for all Victorians and that it is developing strategy, planning, service and asset modelling consistent with Victorian Government expectations.<sup>38</sup>

The Department indicated that over the next two decades, Victoria's population is expected to increase by 1.6 million people and will result in increases in the number of health service recipients. Increasing demand, along with the need to support changing health service requirements and new models of care, place greater pressure on the fitness-for-purpose and capacity of existing public health infrastructure to meet the needs of patients, residents and clients.<sup>39</sup>

The Department advised the Committee that to meet future needs and to better handle the greater volumes, changes to service mix and delivery of models of care are required. The Department highlighted that public sector residential aged care facilities — a relatively new and modern portfolio — requires a rolling and ongoing portfolio investment to sustain the portfolio over the medium and longer-term.<sup>40</sup>

### **3.6.3 The Department of Innovation, Industry and Regional Development**

The Department's total budgeted asset investment expenditure in 2010-11 is \$283.5 million (\$719.5 million TEI), comprising \$241.6 million in existing projects and \$41.9 million in new projects.<sup>41</sup> The Department's asset investment budget for 2010-11 is shown in Figure 3.4.

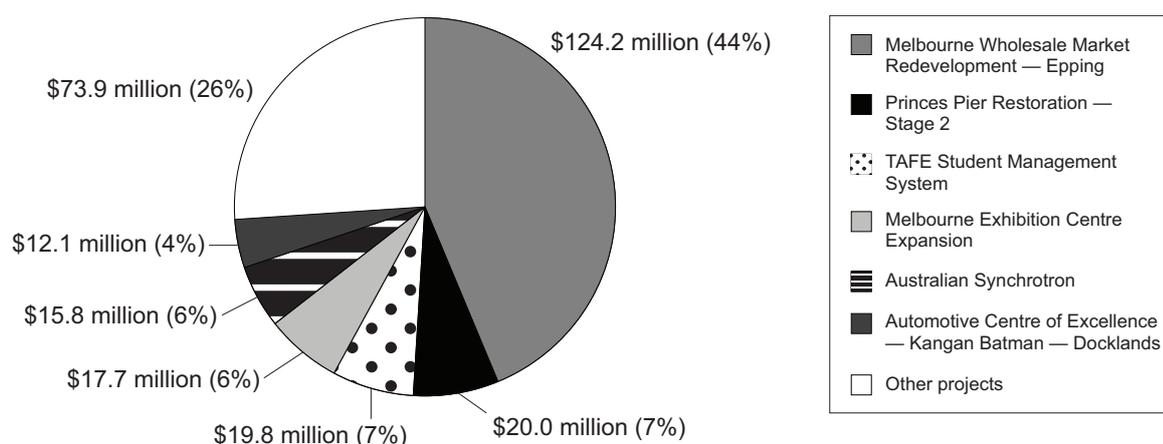
38 *ibid.*, p.114

39 *ibid.*

40 *ibid.*, p.115

41 Budget Information Paper No.1, *2010-11 Public Sector Asset Investment Program*, p.19

**Figure 3.4: Department of Innovation, Industry and Regional Development budgeted expenditure for 2010-11 (including Commonwealth funding)**



Source: Department of Innovation, Industry, and Regional Development response to the Committee's budget estimates questionnaire (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One, May 2010*, pp.172-4)

The Committee observed that almost half of the Department's capital budget for 2010-11 is allocated to the Melbourne Wholesale Market Redevelopment project located at Epping in Melbourne's north. This project will replace the existing Footscray Road infrastructure. An amount of \$124.2 million is to be invested in this project in 2010-11.<sup>42</sup>

The Committee noted that this project will be delivered under a design and construction model managed by Major Projects Victoria. Major construction contracts were signed with the preferred bidder in March 2010 and the project is expected to be fully operational in 2012.<sup>43</sup>

### ***Unapplied output and asset funding carried forward to this budget year***

The Department advised the Committee that at the time of preparing its response, no asset carry forward had been identified.<sup>44</sup>

### ***Future infrastructure challenges and forward-looking assessment of infrastructure needs***

The Department's immediate to long-term future asset management challenges remain similar to those advised to the Committee last year.<sup>45</sup> Last year, the Department advised that its key challenges included:<sup>46</sup>

42 Department of Innovation, Industry and Regional Development, response to the Committee's Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One, May 2010*, p.173)

43 Major Projects Victoria, 'Melbourne Market Relocation' <[www.majorprojects.vic.gov.au/our-projects/our-current-projects/melbourne-market-relocation](http://www.majorprojects.vic.gov.au/our-projects/our-current-projects/melbourne-market-relocation)>, accessed 13 August 2010

44 Department of Innovation, Industry and Regional Development, response to the Committee's Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One, May 2010*, p.175)

45 *ibid.*, p.169

46 Public Account and Estimates Committee, *Report on the 2009-10 Budget Estimates — Part One, Volume One*, June 2009, p.160

- responding to changes in demographic profile with increasing populations in the growth areas and changing demand for existing services;
- increasingly complex and diverse community needs, desires and service delivery expectations;
- responding to the Government's policy agenda, particularly in relation to changing rural populations and service delivery needs; and
- responding to, and implementing new technologies to enhance service delivery.

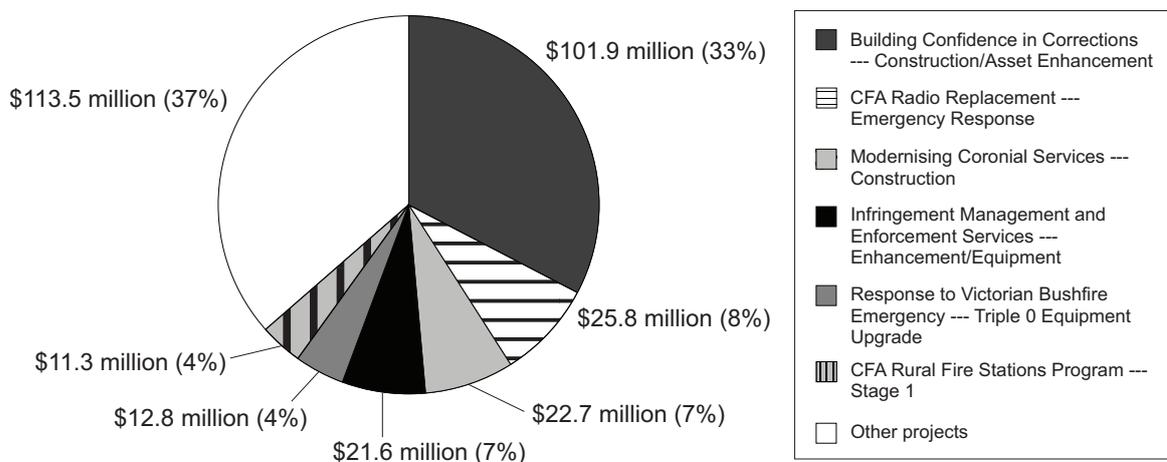
### Outcomes of forward-looking assessment of infrastructure

In relation to a forward-looking assessment of its future infrastructure needs, the Department advised that it is implementing the requirements of the *Victorian Government's Asset Management Framework* and also that it revises its asset strategies annually.<sup>47</sup>

#### 3.6.4 The Department of Justice

In response to the Committee's questionnaire, the Department provided details of asset investment projects for which capital expenditure is budgeted to occur in 2010-11. Figure 3.5 provides details of the Department's capital expenditure budget for 2010-11 which totals \$309.5 million (\$1.0 billion TEI).

**Figure 3.5: Department of Justice budgeted expenditure for 2010-11**



Source: Department of Justice, response to the Committee's budget estimates questionnaire (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates Part One*, May 2010, pp.199–202)

47 Department of Innovation, Industry and Regional Development, response to the Committee's Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.169)

The Department of Justice has identified 47 asset investment projects with capital expenditure in 2010-11, allocated as follows:<sup>48</sup>

- *Attorney-General* — 11 projects totalling \$67.1 million (22 per cent);
- *Police and Emergency Services* — 32 projects totalling \$120.3 million (39 per cent); and
- *Corrections* — four projects totalling \$122.1 million (39 per cent).

The most significant infrastructure expenditure item in the Department's 2010-11 Budget is an amount of \$101.9 million (33 per cent of the total capital expenditure budget) allocated to the *Building Confidence in Corrections* project, which is a key part of the progressive upgrade of Victoria's correctional system to meet future projected prisoner growth.<sup>49</sup>

### ***Unapplied output and asset funding carried forward to this budget year***

The Department has estimated its capital carryover in 2009-10 to be \$3.2 million. The cost of this carry over relates to the *Infringement Management and Enforcement Services* project (\$1.6 million) and is due to a change to a new systems development sub-contractor. The balance relates to Departmental annual provisions for minor capital purchases (\$1.6 million). The Department expects this funding will be used in 2010-11.<sup>50</sup>

The Department advised that the provisional carry over for Victoria Police is \$10 million and is comprised of:<sup>51</sup>

- *\$9.0 million — attributed to the temporary suspension of the LINK project to enable an alternate approach to the integration of the 20 or more legacy systems with LINK to be developed. The rollout of the new system has also been delayed as Victoria Police has agreed to change its regional boundaries to be consistent with the other fire and emergency services, as per the need highlighted by the Bushfires Royal Commission.*
- *\$1.0 million — attributed to the Operations and Administration Complex, due to delays in refurbishment works.*

The Department indicated that carried forward funds are expected to be fully expended in 2010-11.<sup>52</sup>

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48 Department of Justice, response to the Committee's Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, pp.199–202)

49 *ibid.*

50 *ibid.*, p.202

51 *ibid.*, p.203

52 *ibid.*

## **Future infrastructure challenges and forward-looking assessment of infrastructure needs**

The Department indicated in its response to the Committee's questionnaire that its future infrastructure challenges are consistent with those identified in the Department's response to the previous year's budget estimates questionnaire. These challenges included:<sup>53</sup>

### ***For the Department:***

- *increasing prison system capacity;*
- *improving legal services infrastructure for all Victorians;*
- *support of Police and Emergency Services in responding to the impacts of climate change; and*
- *new technologies and Regional Justice Centres to address population growth.*

### ***Victoria Police***

Infrastructure challenges within Victoria Police remain largely consistent with those identified in previous years. Specific changes relate to:<sup>54</sup>

- *Potential changes to service models adopted by Victoria Police such as:*
  - *the ongoing development of the Advanced Investigation Model which is intended to re-engineer the crime investigation process;*
  - *a review of operational leadership and supervision; and*
  - *the implementation of highly responsive operational policing models such as the Operational Resource Unit.*

*Infrastructure will be expected to respond to support these service changes as necessary.*

- *Implementation of new regional boundaries with consequential impact on communications and IT infrastructure and to a lesser extent built infrastructure.*
- *Integration of all infrastructure management streams in a single portfolio headed by the Executive Director, Infrastructure and IT. This initiative will require strategic management of coordination and integration challenges, and will ultimately provide future infrastructure investment planning opportunities.*
- *Increasing emphasis on the potential use of the Government's shared service provider (CenITex) for Information Technology infrastructure.*
- *Implementation challenges for major equipment infrastructure reforms such as Semi Automatic weapons and Integrated Operational Ballistic vests. Both items have a force-wide impact in terms of roll-out and training.*

53 Department of Justice, response to the Committee's Budget Estimates Questionnaire — Part A, received 4 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.194)

54 *ibid.*, p.195

## **Outcomes of forward-looking assessment of infrastructure**

The Department advised that in reviewing its infrastructure demand and future needs, the following issues have been identified and are being addressed:<sup>55</sup>

- *Greater capacity in the prison system: Demand projections have identified a need for more prison beds in both the men's and women's prison system. At present, all of Victoria's male prisons are at or above their originally designed capacity. The 2010-11 Budget has provided for an additional 85 beds in the men's prison system as well as funding to provide for long-term planning of Victoria's correctional facilities.*  
*In the women's prison system, the 2010-11 Budget has funded 84 permanent beds and 57 temporary beds at the Dame Phyllis Frost Centre as well as 18 permanent beds at Tarrengower prison.*
- *The 2010-11 Budget provides \$2 million for the development of a Legal Services Masterplan for the future of the Supreme Court, and selected existing court complexes.*

With respect to Victoria Police, the Department advised the following<sup>56</sup>

- *Future needs identified in the Victoria Police Strategic Facilities Development Plan continue to reflect the remediation of police stations, but also focus on non operational facility assets for which master plans are being prepared. These master plans will specifically examine education and training capability, forensic facilities and operational support facilities in respect of vehicles and evidence storage. The 2010-11 Budget provides funding to replace Daylesford and Trafalgar Police Stations and a new police station at Loch Sport and to acquire land for a new police station in Echuca.*
- *Victoria Police Accommodation: Victoria Police has critical accommodation issues in the CBD. Current facilities have serious deficiencies including cramped conditions, unsuitable configurations and major security and public safety risks. The 2010-11 Budget provides funding to replace 412 St Kilda Road and relocating Melbourne West Police Station to an alternative CBD location.*
- *Implementation planning for security and information management assets has occurred. Information security has been a key area of criticism by the Commissioner for Law Enforcement and Data Security and also the Ombudsman. The infrastructure necessary to support more effective Digital Asset Management is now being considered*
- *Equipment asset data has been reviewed and subjected to actuarial assessment to complement existing financial assessments. The data collected is being utilised in the update of the organisation's Global Asset Management Strategy which will underpin investment priorities.*
- *Preliminary development planning associated with the re-tendering of existing IT infrastructure has occurred for the purposes of demand planning and identifying suitable components of IT infrastructure that can be transitioned to the Government's shared services IT provider (CenITex).*

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55     ibid.

56     ibid., p.196

### 3.6.5 The Department of Transport

In response to the Committee's questionnaire, the Department of Transport provided details of asset investment funding for the overall transport portfolio. The Department indicated that total infrastructure investment on existing and new project, is \$15.3 billion TEI. This amount comprises the following:

- Total departmental infrastructure investment, mainly in the State's roads, is \$5.9 billion (TEI). Of this amount, the Commonwealth is expected to provide \$2.3 billion TEI in funding, with the remainder to be funded by the State.<sup>57</sup>
- Investment in rail projects (VicTrack) is budgeted to be \$8.9 billion TEI. Funding for rail is to be derived 64 per cent from State sources and 36 per cent from the Commonwealth.<sup>58</sup>
- \$461 million TEI for myki — the new ticketing solution (technology and installation).<sup>59</sup>

The Department advised that in 2010-11, asset investment in the State's transport infrastructure will be around \$2.8 billion, made up of \$1.1 billion for transport projects (mainly roads), \$1.6 billion for rail projects and \$80.8 million for the implementation of myki.<sup>60</sup>

Figure 3.6 provides a breakdown of the total budgeted transport portfolio infrastructure investment for 2010-11.

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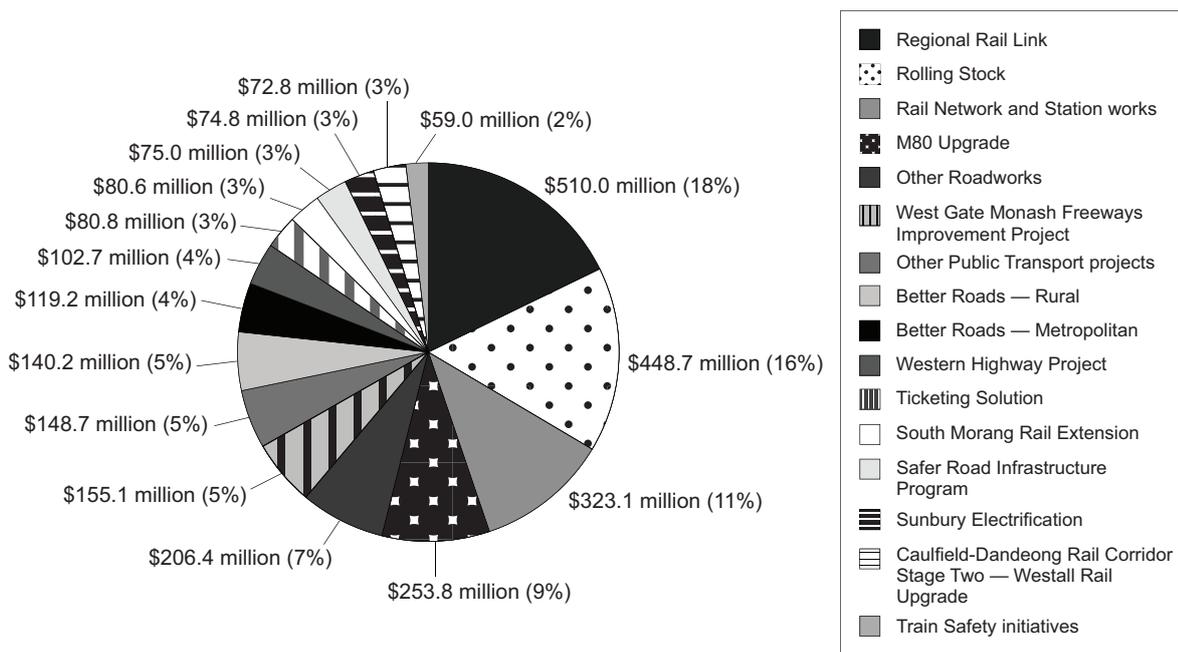
57 Department of Transport, response to the Committee's Budget Estimates Questionnaire — Part B, received May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, pp.304–7)

58 *ibid.*, pp.308–9

59 *ibid.*, pp.307

60 *ibid.*, pp.304–9

**Figure 3.6: Transport Portfolio budgeted expenditure for 2010-11 (including Commonwealth funding)**



Source: Department of Transport, response to the Committee’s budget estimates questionnaire (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates Part One, May 2010, pp.304–9)

The Committee noted that in 2010-11, significant investment is budgeted for the following projects:<sup>61</sup>

- *Regional Rail Link* (\$4.3 billion TEI) — This project is a major initiative under the *Victorian Transport Plan* and represents over 25 per cent of the State’s overall investment in transport assets. The *Regional Rail Link* project is jointly funded by the State and Commonwealth governments, with contributions of \$1.1 billion and \$3.2 billion respectively.<sup>62</sup>

The project will construct a dual track link of up to 50 kilometres from West Werribee to central Melbourne’s Southern Cross Station, via Sunshine and includes construction of a new rail line from Werribee to Deer Park, new stations at Tarneit and Wyndham Vale, and duplication of existing tracks between Sunshine and Kensington.<sup>63</sup>

The 2010-11 Budget allocates \$510.0 million for investment in the *Regional Rail Link* project.<sup>64</sup>

61 *ibid.*

62 *ibid.*

63 Budget Information Paper No.1, *2010-11 Public Sector Asset Investment Program*, p.9

64 Department of Transport, response to the Committee’s Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.309)

- *West Gate/Monash Freeways Improvement Package and West Gate Bridge Strengthening* (\$1.3 billion TEI) — This project represents a major upgrade of the Monash, City Link and West Gate Freeways to improve traffic flow along the 75 kilometres west-east corridor.<sup>65</sup> An amount of \$155.1 million has been allocated to this project in 2010-11.<sup>66</sup>
- *Metropolitan rolling stock* (\$1.2 billion TEI) — Budgeted expenditure in 2010-11 is \$380.0 million.<sup>67</sup>
- *M80 Upgrade* (\$1.1 billion TEI) — In partnership with the Commonwealth, this project will upgrade the Western Ring Road. Total budgeted expenditure in 2010-11 is \$253.8 million, with the majority of funding to be sourced from Commonwealth funds (\$191.0 million).<sup>68</sup>
- *Tram Procurement and Supporting Infrastructure* (\$804.5 million TEI) — This initiative will enable the purchase and operation of 50 new high capacity, low floor trams and the supporting infrastructure, which includes the redevelopment of the Preston tram workshops.<sup>69</sup> An amount of \$70.3 million has been included in the 2010-11 Budget to be spent on this initiative.<sup>70</sup>
- *South Morang Rail Extension* (\$559.1 million TEI) — This initiative will extend the metropolitan rail network from Epping to South Morang, including the construction of a new premium station at South Morang.<sup>71</sup> The 2010-11 Budget includes \$80.6 million to be spent on this project.<sup>72</sup>
- *myki* — (\$460.9 million TEI). Total budgeted expenditure on myki in 2010-11 is \$80.6 million.<sup>73</sup>

65 Budget Information Paper No.1, *2010-11 Public Sector Asset Investment Program*, p.11

66 Department of Transport, response to the Committee's Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.304)

67 *ibid.*, p.308

68 *ibid.*, pp.304–6

69 Budget Information Paper No.1, *2010-11 Public Sector Asset Investment Program*, p.309

70 Department of Transport, response to the Committee's Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.304)

71 Budget Information Paper No.1, *2010-11 Public Sector Asset Investment Program*, p.10

72 Department of Transport, response to the Committee's Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.308)

73 *ibid.*, p.307

## **Unapplied output and asset funding carried forward to this budget year**

The Department's carryover funding from 2009-10 is \$142.9 million and includes:<sup>74</sup>

- Westall Rail Upgrade — \$29.3 million;
- Myki (New Ticketing Solution) — \$27.7 million;
- Accessible Public Transport — \$15.7 million; and
- Country Passenger Rail Network Maintenance — \$10.0 million.

The Department advised the Committee that carryover funding is intended to be used in 2010-11.<sup>75</sup>

## **Future infrastructure challenges and forward-looking assessment of infrastructure needs**

The Department advised the Committee that since the launch of the *Victorian Transport Plan* in December 2008, there have been a number of trends and key events that have affected the State's transport system:<sup>76</sup>

- *economy — a strong recovery from the Global Financial Crisis will be reflected in continued demands on Victoria's transport systems.*
- *population growth — Victoria continues to experience a large share of the national population growth including the national migration intake. A growing Victoria presents major opportunities and challenges to the State, including ensuring that our transport system continues to develop to serve the needs of the community now and into the future.*
- *climate change — the impact of community concern about climate change has resulted in increased numbers of Victorians using public transport and cycling.*

The Department indicated that with these challenges it continues its responsibility to deliver the following improvements to the State's transport system:<sup>77</sup>

- *moving Melbourne's rail system to a modern metro-style rail network through major investments such as Regional Rail Link and the Melbourne Metro as well as the delivery of new rolling stock in both the metropolitan and regional networks to boost capacity;*
- *closing the gaps in Melbourne's road network, including construction of the Peninsula Link and planning for WestLink;*
- *managing the growth in freight traffic by improving supply chain efficiency and protecting the amenity of the inner West through investments in the Port of Melbourne, freight rail network and the Truck Action Plan;*
- *improving transport links across regional Victoria and Melbourne to support jobs and population growth; and*

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74 *ibid.*, pp.310–1

75 *ibid.*, p.311

76 *ibid.*, pp.299–300

77 *ibid.*, p.300

- *minimising transport's impact on the environment and ensuring that transport infrastructure can withstand the effects of climate change.*

### **Outcomes of forward-looking assessment of infrastructure**

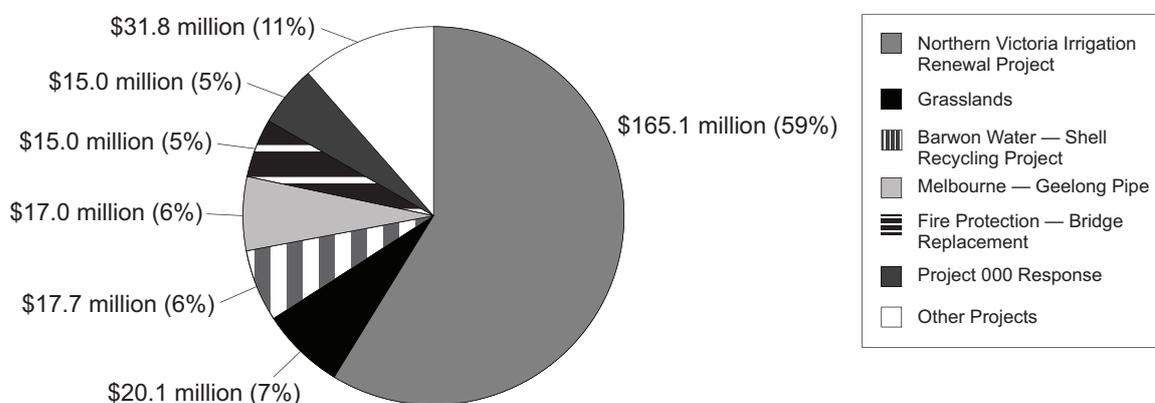
The Department advised that it carries out assessments of future demand and its impact on transport infrastructure and service operations and that assessment is being carried out against future projections relating to the following:<sup>78</sup>

- public transport patronage growth;
- transport demand on road and rail networks;
- future growth of the freight task;
- population;
- employment; and
- economic benefits.

### **3.6.6 The Department of Sustainability and Environment**

The Department's total budgeted asset investment expenditure in 2010-11 is \$281.7 million (\$1.0 billion TEI). The Department's allocation of asset investment expenditure for 2010-11 is shown in figure 3.7.

**Figure 3.7: Department of Sustainability and Environment budgeted expenditure 2010-11**



Source: Department of Sustainability and Environment, response to the Committee's budget estimates questionnaire (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates Part One, May 2010, pp.281-2)

A significant infrastructure project administered by the Department is the Northern Victoria Irrigation Renewal Project (formerly known as the Food Bowl Modernisation project). The Committee noted that \$317.3 million had been expended on this project to 30 June 2010, while budgeted expenditure in 2010-11 is \$165.1 million, representing almost 60 per cent of the Department's total capital expenditure allocation for 2010-11. This project is anticipated by the Government to save 225 billion litres on average a year of water in the Goulburn and Murray

Irrigation systems and is due for completion in 2012-13.<sup>79</sup> The Committee noted that in addition to Government expenditure on the project, Goulburn Murray Water has contributed an additional \$100 million for this project.<sup>80</sup>

A major new capital initiative commencing in the 2010-11 Budget is the establishment of grassland reserves in the western suburbs of Melbourne. The Committee noted that this initiative is designed to protect one of Victoria's most endangered ecosystems through the acquisition of 15,000 hectares of native volcanic plains grasslands to offset the impact of further urban growth in Melbourne's western area.<sup>81</sup> The Committee noted that the Government has allocated \$190 million to this initiative, with \$20 million allocated over each of the next four years, commencing in 2010-11.<sup>82</sup> The remainder of this funding is expected to be spent by 2018-19.<sup>83</sup>

### ***Unapplied output and asset funding carried forward to this budget year***

The Department advised the Committee that its 2009-10 asset carryover amount was estimated at \$39.8 million.<sup>84</sup>

The Department advised that it had experienced delays in the finalisation of project plans and subsequent implementation of projects associated with the Natural Resources Investment program.<sup>85</sup>

### ***Future infrastructure challenges and forward-looking assessment of infrastructure needs***

The Department advised that its immediate and long-term infrastructure challenges have not altered from those provided in the 2009-10 budget estimates questionnaire response. These challenges include the recovery and rehabilitation works in the areas affected by bushfires, securing Victoria's water supply and addressing the impacts of climate change.<sup>86</sup>

To address future infrastructure requirements, the Department has developed a number of key statements and policies. These include:<sup>87</sup>

- *Land and Biodiversity at a Time of Climate Change — White Paper (2009-10);*
- *Northern Region Sustainable Water Strategy (2009-10);*

79 Budget Information Paper No.1, *2010-11 Public Sector Asset Investment Program*, p.13

80 Department of Sustainability and Environment, response to the Committee's Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.282)

81 Budget Paper No.3, *2010-11 Service Delivery*, p.348

82 Department of Sustainability and Environment, response to the Committee's Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.281)

83 Budget Information Paper No.1, *2010-11 Public Sector Asset Investment Program*, p.68

84 Department of Sustainability and Environment, response to the Committee's Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.283)

85 *ibid.*

86 Department of Sustainability and Environment, response to the Committee's Budget Estimates Questionnaire — Part A, received 27 April 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.279)

87 *ibid.*

- *Living With Fire — Victoria’s Bushfire Strategy* (2008-09);
- *Victorian Coastal Strategy* (2008-09);
- *Metropolitan Waste and Resource Recovery Strategic Plan* (2008-09);
- *Central Region Sustainable Water Strategy* (2006-07);
- *Our Environment, Our Future — Sustainability Action Statement* (2006-07); and
- *Our Water Our Future: The Next Stage of the Government’s Water Plan* (Victoria’s Water Plan) (2006-07).

### **Outcomes of forward-looking assessment of infrastructure**

For the 2010-11 year, the Department’s strategic priorities continue to focus on:<sup>88</sup>

- responding to the increasing fire threat;
- securing water resources for the future;
- promoting new standards for protecting the natural environment; and
- adapting effectively to the impacts of climate change.

## **3.7 Reporting on asset investment**

In previous reports on the Budget estimates, the Committee has noted the significant increases in the level of asset investment over time. The Committee has expressed the belief that reporting on the outcomes and progress of asset investment projects would provide an increased level of transparency that would benefit Parliament and the community. Accordingly, the Committee has on several occasions recommended that the Government ensure that public sector agencies keep Parliament and the community informed of progress made on asset investment projects through their annual reports, in terms of progress towards project completion and outcomes delivered against departmental and government objectives.

The Committee notes that the Government has accepted this recommendation in principle but comprehensive action has not yet been taken to address this recommendation. The Government indicated to the Committee that guidance on appropriate disclosures in annual reports is provided to entities through Financial Reporting Directions and the annual Model Financial Report for Victorian Departments.<sup>89</sup>

The Government informed the Committee that:<sup>90</sup>

88 *ibid.*

89 Victorian Government, Government Responses to the Committee’s 88<sup>th</sup> Report on the 2009-10 Budget Estimates — Part Two, tabled 14 April 2010, p.5 (see Appendix 3 of this report)

90 *ibid.*

*The Public Finance and Accountability Bill, which was introduced into Parliament in 2009, has a focus on outcomes-based reporting, and in the context of the Bill's implementation, the Department of Treasury and Finance will consider what additional information on the reporting on the outcomes and progress of asset investment projects would provide an increased level of transparency to Parliament and the wider community.*

While the Committee appreciates that the Public Finance and Accountability Bill currently before Parliament does not provide detailed directions for contents of annual reports, it anticipates that revised Financial Reporting Directions will require comprehensive reporting on progress with infrastructure projects.

**Recommendation 1: For the information needs of Parliament and the community, departments should provide in their annual reports, details of the progress made on asset investment projects and the outcomes delivered against project objectives.**

The Committee has previously recommended that to facilitate more timely disclosure of budget information, the budget papers should disclose not only the asset investment initiatives but also information relating to on-going capital asset construction projects and public private partnership arrangements for the budget (general government) sector, and that these disclosures should include projected data for the *whole-of-life* of capital projects.

Information about capital projects is contained in Budget Information Paper No.1, *Public Sector Asset Investment program*. The Committee acknowledges the positive action taken by the Government to bring forward publication of its Budget Information Paper No.1 and release it simultaneously with the budget papers in May 2010.

The 2010-11 Budget Information Paper No.1 presents information on all key infrastructure projects in both the general government sector and public non-financial corporations. It lists individual projects and shows their total estimated investment, expenditure to 30 June 2010, estimated expenditure in the ensuing 2010-11 budget year and remaining expenditure.

As previously discussed in the Committee's *Report on the 2010-11 Budget Estimates — Part One*, the contents of Budget Information Paper No.1 support the asset spending projections contained in the budget papers. The Committee notes that aggregate spending details differ somewhat from those presented in the budget papers. This difference arises because threshold conventions are applied to the contents of the paper with disclosed data relating to asset projects with a total estimated investment equal to or more than \$250,000. In addition, certain projects are excluded from the paper for reasons of commercial sensitivity.<sup>91</sup>

The Committee notes that Major Projects Victoria (MPV) plays a key role in delivering the State's infrastructure. The MPV website provides information on current projects, including details of 12 major projects currently in progress. These include Melbourne Market Relocation, Melbourne Park redevelopment, Princes Pier Restoration and the Southbank Cultural Precinct redevelopment.<sup>92</sup> The Committee observed that the budget papers include performance measures

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91 Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.5

92 Major Projects Victoria, 'Our Current Projects', <[www.majorprojects.vic.gov.au/our-projects/our-current-projects/melbourne-market-relocation](http://www.majorprojects.vic.gov.au/our-projects/our-current-projects/melbourne-market-relocation)>, accessed 23 August 2010

for the progress of some projects managed by MPV.<sup>93</sup> For those that are included, there are no performance measures provided to assess the progress of these projects in terms of timeliness (achieving key milestones) and project cost.

The Committee raised this matter at the estimates hearing for the Major Projects portfolio held in May 2010. The Committee sought clarification from the Minister for Major Projects about reporting details of the progress of major projects, in the context of the budget. The Minister advised that throughout the budget papers there are examples of all the projects that MPV manages and that some are contained within the client projects for client departments. The Minister further advised that details of performance measures for major projects are incorporated in Budget Information Paper No.1.<sup>94</sup>

While Budget Information Paper No.1 gives some indication of progress made on individual projects (in terms of expected future expenditure against TEI), the Committee considers that reporting on the progress of major infrastructure projects can be improved through MPV developing specific key performance indicators, such as timeliness (comparison of major milestones against actual) and project cost (budget vs. actual expenditure). Comparison of performance against actual results should be included in future annual reports.

**Recommendation 2: Major Projects Victoria should develop suitable performance measures upon which the progress of major projects can be measured. Performance measures should be reported in future annual reports.**

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93 Budget Paper No.3, *2010-11 Service Delivery*, p.134

94 Mr T. Pallas MP, Minister for Major Projects, 2010-11 budget estimates hearing, transcript of evidence, 13 May 2010, (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.H12)



## CHAPTER 4: STRATEGIC PLANNING UNDERPINNING FORMULATION OF THE 2010-11 BUDGET AND FORWARD ESTIMATES

### Key findings of the Committee:

- 4.1 The Committee is a strong advocate for robust medium and long-term planning to be in place to support resource allocations into the future. Strategic planning at the state level will need to align with the medium and long-term plans released by the Council of Australian Governments.
- 4.2 In view of the differing presentations in the budget papers of the major policy decisions, directions and strategies affecting each department, there is scope for the Department of Treasury and Finance to develop a uniform approach for disclosing this information.
- 4.3 Challenges described in the budget papers for each department, which serve as a precursor to the articulation of policy and strategy development, should be categorised according to whether they were of an immediate, medium or long-term nature.
- 4.4 At the budget estimates hearings, ministers cited a wide array of material, primarily covering policies, strategies, plans and priorities, which underpinned the 2010-11 Budget and forward estimates for their portfolios.
- 4.5 In order to strengthen the linkages between funding, policy and ministerial accountability, consideration could be given to indicating, for each new funding initiative, the strategic sector policy document that underpins the budget allocation as well as the responsible minister(s).
- 4.6 The *Victorian Transport Plan*, released in December 2008 and covering a ten-year timeframe, provides a good example of linkages between short, medium and long-term planning and investments.
- 4.7 The Department of Treasury and Finance should consider integrating the long-term strategic policy framework, *Growing Victoria Together*, and all other major policy decisions, directions and strategies that are budget-related.
- 4.8 The *Annual Statement of Government Intentions* published in February each year sets out the Government's short-term intentions for the forthcoming calendar year. In order to improve the relevance of the Statement to the Budget, the Committee considers that the Government could evaluate the merits of transforming this document into a key strategic planning document for Victoria. Including a section outlining the medium to long-term intentions of the Government and aligning the period covered with that of the Budget would be two avenues worth considering.

## 4.1 Introduction

With regard to the allocation of moneys in the Budget, the Committee noted that the 2010-11 appropriation bills sought authority to draw \$36.0 billion for Government purposes<sup>1</sup> and \$101.4 million to fund the Parliament's activities<sup>2</sup>. The Budget and forward estimates for new output initiatives and new asset funding are shown in Table 4.1.

**Table 4.1: 2010-11 Budget: new output initiatives and new asset funding<sup>(a)</sup>**

Initiatives	Total (\$ million)	Funding 2010-11 (\$ million)	Forward estimates 2011-12 to 2013-14 (\$ million)
Output initiatives	3,853.7	1,201.5	2,652.2
Asset initiatives	8,285.3	1,458.9	6,826.4

Note: (a) Includes Government-wide initiatives and amounts funded from internal reprioritisation or other existing sources

Source: Budget Paper No.3, 2010-11 Service Deliveries, pp.41, 46

In terms of budget formulation, the Committee maintains that fiscal soundness in a budget setting environment is enhanced if the allocation of moneys in the current year and out years is supported by well founded medium and long-term strategy development and planning for the delivery of specific Government policy objectives. The Committee is a strong advocate for strategic decisions to be based on a sound regime of medium and long-term planning, rather than plans being developed on an ad hoc basis.

In addition, the Committee considers it important from an accountability perspective that there are explicit connections made between initiatives and strategies and plans. This enables any interested party to understand why funds are spent on particular initiatives, i.e. how the initiatives contribute to the Government's broader goals.

This chapter essentially looks at the concept of strategic resource allocation and examines various matters connected with how strategic planning at a governmental level interfaces with resource allocation over the medium and long-term. Strategic planning can be defined as '*an organisation's process of defining its strategy or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people*'.<sup>3</sup> The Committee is conscious of the need for strategic planning in Victoria to coincide with medium and long-term plans formulated by the Council of Australian Governments (COAG). Another area where long-term planning will prove to be crucial for the future is in relation to the Government's commitment to undertake the necessary actions to manage population growth sustainably. The Government has stated that in 2010, it will focus on longer-term plans to provide for this growth, while protecting our liveability.<sup>4</sup>

1 Appropriation (2010/2011) Bill 2010, p.5

2 Appropriation (Parliament 2010/2011) Bill 2010, p.4

3 Wikipedia, 'Strategic Planning', <en.wikipedia.org/wiki/Strategic\_planning>, accessed 2 July 2010

4 Victorian Government, *Annual Statement of Government Intentions*, February 2010, p.ii

By way of background, the Committee recommended in June 2009 as part of its Inquiry into Victoria's Public Finance Practices and Legislation that:<sup>5</sup>

*Budgeted resources should be linked in the budget papers to the relevant individual outcomes the Government aims to achieve and ultimately its strategic priorities and policy service objectives.*

Against this backdrop, the Committee, through the 2010-11 budget estimates inquiry process, was interested in further exploring the binding together of Government strategic decision making with decisions in resource allocation. The Committee noted that the Government's Integrated Management Cycle, which identifies, in part, the major planning (strategic directions and priorities) and resource allocation activities (matching resources to outputs and investments to meet the Government's outcomes and priorities), was currently under revision.<sup>6</sup>

In terms of new tendencies in political theory and management, the concept of 'Strategic Government' relating to public management has emerged in recent years. As explained by Geoff Gallop:<sup>7</sup>

*It involves the outlining of a vision, the setting of objectives and targets in consultation with the public, the development of strategies to achieve the objectives, and the formation of collaborative arrangements within government and between the government and private and community sectors to carry out these strategies. It is often linked to a new concern for and belief in the sustainability principle and its triple bottom line of economic, social and environmental objectives.*

As part of the deliberations that took place at the budget estimates hearings to hear about the linkages that existed between policy planning, priority setting and resource allocation, the following standard question was asked of ministers:

*Could you please advise the Committee of the medium and long-term strategy or strategies and plans upon which the budget for your portfolio is based, and has this changed from last year?*

Evidence obtained through the hearings process reaffirmed that the forward estimates are the vehicle for conveying those priorities into real actions.<sup>8</sup>

Figure 4.1 shows a diagrammatic presentation of the way these linkages can interact with each other.

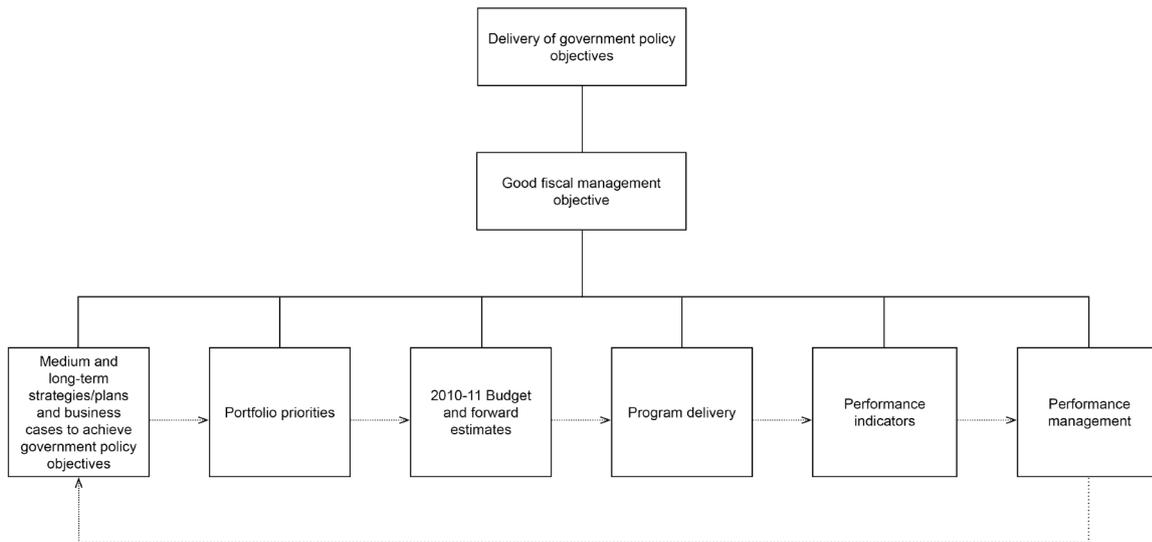
5 Public Accounts and Estimates Committee, *New Directions in Accountability: Inquiry into Victoria's Public Finance Practices and Legislation*, June 2009, p.26

6 Department of Treasury and Finance, 'Integrated Management Cycle', <[www.dtf.vic.gov.au/CA25713E0002EF43/pages/bfm-frameworks-integrated-management-cycle](http://www.dtf.vic.gov.au/CA25713E0002EF43/pages/bfm-frameworks-integrated-management-cycle)>, accessed 30 June 2010

7 Geoff Gallop, 'Towards a New Era of Strategic Government', ANZSOG Lecture, ANU, Canberra, 25 October 2006

8 Hon. D. Andrews MP, Minister for Health, 2010-11 budget estimates hearing, transcript of evidence, 12 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.6)

**Figure 4.1: Fiscal management: relationship between strategic planning, framing the 2010-11 Budget and forward estimates and program delivery**



Source: Figure prepared by the Secretariat, Public Accounts and Estimates Committee

In terms of this line of enquiry, the Chair stated that the Committee wanted to ‘... ensure that there is proper medium and long-term planning in terms of fiscal management here in Victoria...’<sup>9</sup>

The intention of the Committee was essentially to give ministers the opportunity to explain, in further detail, information contained in various parts of the budget papers that link policy decisions and directions with new funding initiatives and, in doing so, expand on the medium and long-term strategy development that underpinned major resource allocations over the forward estimates.

Research undertaken by the Committee revealed that ‘being clear about an organisation’s strategic goals provides focus and helps managers understand how to direct their resources and make decisions on a daily basis’.<sup>10</sup> The Committee maintains that, for limited resources to be used efficiently and effectively, it is essential for strong linkages to exist between policy, planning and budgeting.

## 4.2 Strategic planning underpinning budget allocations

### 4.2.1 Budget paper disclosure

#### **Disclosure of major policy decisions, directions and strategies**

In terms of major policy decisions, directions and strategies, the budget papers disclose in broad terms, and to various degrees, certain information across departments. Table 4.2 gives examples of various forms of presentation by departments:

9 Hon. B. Cameron MP, Minister for Police and Emergency Services, 2010-11 budget estimates hearing, transcript of evidence, 14 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.M4)

10 Centre for Applied Research, *Briefing Notes: A summary of Best Practice Approaches in Strategic Processes*, p.1

**Table 4.2: Presentation of major policy decisions, directions and strategies in the budget papers**

<b>Department</b>	<b>Disclosure in the budget papers</b>
Education and Early Childhood Development	Key measures of achievement relating to GVT goals Significant policy documents such as blueprints, corporate plans, national agreements
Health	Major departmental policy decisions and directions
Human Services	Objectives to guide responses to challenges and to address the goals set out in various key policies
Innovation, Industry and Regional Development	GVT goals and various major policy statements
Justice	Objectives that support GVT goals
Planning and Community Development	GVT vision and various major government policies Role in advising the Government on various critical issues Establishment of new portfolios and administrative offices
Premier and Cabinet	GVT vision and goals A major program of work
Primary Industries	Various strategies that reflect challenges and opportunities
Sustainability and Environment	Strategic priorities in response to major challenges and opportunities Major government policies, including a white and a green paper
Transport	Various major government plans and policies and supporting policies In response to the strategic directions of these plans and policies, commitment to achieving results under various priorities
Treasury and Finance	Objectives that guide policy directions Several strategic priorities
Parliament	Objectives An ongoing project

Source: *Budget Paper No.3, 2010-11 Service Delivery, pp.58, 59, 75, 101, 118, 136,158, 159, 176, 177,192, 193, 221, 222, 244, 245 and 260*

The Committee was interested to see that in terms of major policy decisions and directions, the Department of Primary Industry's strategies for 2008-11 described in the budget papers include the development of a:<sup>11</sup>

*...comprehensive, integrated and long-term strategic policy framework to build the productivity, competitiveness and sustainability of Victoria's primary and energy industries.*

The Committee believes that in view of the differing presentations regarding the way in which major policy decisions, directions and strategies are described for most departments shown in Table 4.2, there is scope for the Department of Treasury and Finance to develop a uniform approach for disclosing this information. A standard approach would ensure that strategies and plans that address the challenges for each organisation and underpin the budget allocations for the budget year and across the forward estimates are presented in a consistent manner in the budget papers. In developing this approach, consideration could be given to requiring organisations to develop an integrated and long-term strategic policy framework that brings together all major policy decisions, directions and strategies that influence the work of the organisation over the long-term and resource allocations.

The Committee found that with regard to overseas experience, British Columbia prepares a three-year strategic plan for the Province as well as service plans for each Ministry that set out goals, objectives, strategies and performance measures.<sup>12</sup>

**Recommendation 3:**      **As part of the review of the Government's Integrated Management Cycle, the Department of Treasury and Finance require each department to develop a long-term strategic policy framework which brings together all major policy decisions, directions and strategies that underpin its budget.**

**Recommendation 4:**      **The Department of Treasury and Finance consider developing a standard approach for presenting major policy decisions, directions and strategies in the budget papers for each department. A diagrammatic representation of this model would assist readers of the budget papers.**

## **Challenges**

The Committee noted that there were differences between departments in categorising challenges faced by them in the budget papers. Mostly they were described as medium-term, although some were described as immediate or long-term.

The Committee considers that the presentation in the budget papers of specific challenges for each department, which serve as a precursor to the articulation of policies, would be enhanced if they were categorised according to whether they were of an immediate, medium or long-term nature.

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11      Budget Paper No.3, *2010-11 Service Delivery*, p.192

12      Government of British Columbia, *Province of British Columbia Strategic Plan 2010/11-2012/13*, March 2010; and British Columbia, Ministry of Health Services, *2010/11-2012/13 Service Plan*, March 2010

**Recommendation 5:** The Department of Treasury and Finance develop a standard approach for disclosing challenges faced by each department in the budget papers. Consideration could be given to adopting a standard ‘immediate’, ‘medium’ or ‘long-term’ classification for expressing organisational challenges in the budget papers.

### ***Linkage of new budget initiatives with policies, strategies or plans***

The Committee noted that the budget papers link:

- departmental output groups, under which the Government will deliver outputs, to *Growing Victoria Together* visions;<sup>13</sup>
- departmental output groups to key government outcomes in the form of *Growing Victoria Together* goals;<sup>14</sup>
- major output and asset funding initiatives to *Growing Victoria Together* visions and goals and other key government policies;<sup>15</sup> and
- output and asset funding initiatives to departmental outputs.<sup>16</sup>

The Committee believes that for each of the new output and asset initiatives listed in Appendix A to Budget Paper No.3, in addition to disclosing the particular output(s) that the initiative contributes to, there is an opportunity to link each initiative to the *Growing Victoria Together* goal and policy, strategy or plan that underpins the particular initiative as well as the responsible minister(s). This form of disclosure, which could also be applied to the revenue budget, would demonstrate the relevance of new funding to policy by making the linkages between funding and policy formulation and planning more transparent and strengthen ministerial accountability. The Committee notes that in the description of initiatives in Appendix A currently, where an initiative is part of the *Victorian Transport Plan*, this is already noted.<sup>17</sup> The Committee considers that information about how initiatives contribute to other plans could be similarly provided for all initiatives.

The Committee also considers that in the same way that State output and asset prioritised projects are disclosed under the *Victorian Transport Plan* in Appendix A (Department of Transport, Output and Asset Initiatives) and Appendix E to Budget Paper No.3, titled ‘*Victorian Transport Plan*’, consideration could be given to grouping new output and asset initiatives according to other major policies such as *A Fairer Victoria*, the *Blueprint for Education and Early Childhood Development*, *Our Water Our Future: The Next Stage of the Government’s Water Plan* and *Ready for Tomorrow: A Blueprint for Regional and Rural Victoria*. This form of disclosure would provide an easy reference for identifying the relationship between new funding initiatives with government policy, planning, strategies and priorities.

13 Budget Paper No.3, *2010-11 Service Delivery*, Chapter 2, ‘Linking Outputs to Government Outcomes’

14 *ibid.*, Chapter 3, ‘Departmental Output Statements’

15 *ibid.*, Chapter 1, ‘Service and Budget Strategies’

16 *ibid.*, Appendix A, ‘Output, Asset Investment and Revenue Initiatives’

17 Budget Paper No.3, *2010-11 Service Delivery*, p.351

**Recommendation 6:** The Department of Treasury and Finance consider expanding information disclosed in Budget Paper No.3 by:

- (a) disclosing for each new budget initiative in Appendix A, the *Growing Victoria Together* goal and the policy, strategy or plan that underpins each budget allocation as well as the responsible minister(s); and
- (b) grouping output and asset initiatives according to major government policies where considered feasible.

**Recommendation 7:** For new revenue raising initiatives, the Department of Treasury and Finance consider reporting in the budget papers, the medium and long-term strategies that underpin these revenue streams in the context of *Growing Victoria Together*.

### ***Attributing medium and long-term planning to variations in the forward estimates***

Where significant variations occur from one year to the next in the forward estimates, footnote explanations have not been incorporated into the budget papers to explain how medium to long-term priorities have influenced funding levels or income streams in those particular out years. For example, with regard to the *Regional Rail Link* asset initiative and the estimated funding increase from \$863.0 million in 2011-12 to \$1,389.0 million in 2012-13, there is no information in the budget papers to explain the increase.<sup>18</sup>

In line with previous comments made by the Committee with regard to the need for added disclosure in the budget papers to explain material variations between revenue items disclosed in the forward estimates,<sup>19</sup> the Committee considers that disclosure of the reasons for significant variations in the forward estimates for output and asset funding would increase the ability of users to interpret material reported in the budget papers.

**Recommendation 8:** To increase the transparency of reporting, the Department of Treasury and Finance consider including information in the budget papers to explain how strategic planning has influenced significant fluctuations in funding for output and asset initiatives in the out years.

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18 *ibid.*, pp.353, 473

19 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates — Part Two*, p.101

## 4.2.2 Evidence provided at the budget estimates hearings

At the budget estimates hearings, ministers cited a wide array of material underpinning the 2010-11 Budget and forward estimates for their portfolios. The Committee noted various guiding principles and priorities in terms of strategic frameworks developed across portfolios to help deliver the future growth of this state.

The *Victorian Transport Plan*, which was released in December 2008 and covers a ten-year timeframe, provides a good example of linkages between short, medium and long-term planning and investments. In regard to the Public Transport portfolio, the Committee was informed that:<sup>20</sup>

*It is the projects in that plan that fundamentally outline our short, our medium and our long-term objectives from which the funding bids from the last budget, this budget and future budgets are developed.*

Other plans such as the *Victorian State Disability Plan*, the *Victorian Automotive Manufacturing Action Plan* and *Our Water Our Future: The Next Stage of the Government's Water Plan* played similarly important roles. The Government's *Growing Victorian Together* vision is intended to provide key priorities underpinning all portfolios, and a number of ministers cited it at the hearings.

In describing the medium and long-term strategies and plans that were used to support budget allocations for particular Government portfolios, while responses were mixed in terms of detail, Government ministers cited items that included policy papers, various frameworks, legislation, strategic plans, programs and priorities. The Committee also noted that ministers identified some differences in the medium and long-term strategies and plans compared to the previous year. The underpinning long-term strategy continued to be *Growing Victorian Together*. Some ministers referred to sectorial policies and strategies introduced in the previous twelve months.

Examples of some of the more comprehensive responses about the plans and strategies that, according to ministers, supported the 2010-11 Budget and forward estimates are summarised in Table 4.3 for selected Government portfolios.

The Committee believes that in examining the articulation of strategic directions and priorities as part of the review of the Government's Integrated Management Cycle, the development of a predictable and disciplined approach for the development of a common set of concepts as suggested in Section 4.2.1 would help focus discussion and understanding on an annual basis of the linkages in the budget papers with regard to strategic resource allocation.

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20 Mr M. Pakula MLC, Minister for Transport, 2010-11 budget estimates hearing, transcript of evidence, 12 May 2010, (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.R5)

**Table 4.3: Strategic resource allocation**  
**Examples of medium and long-term policies, plans, strategies and priorities underpinning the Budget**

Portfolio	Description of policies, plans, strategies and priorities	Description of changes from the previous year
<i>Department of Health</i>		
Health	<ul style="list-style-type: none"> <li>• Various plans that cover: <ul style="list-style-type: none"> <li>– emergency care</li> <li>– elective surgery</li> <li>– cancer services</li> <li>– chronic disease — <i>Go for Your Life</i>, early intervention in chronic disease programs, screening programs, WorkHealth and the hospital admission risk program</li> </ul> </li> <li>• Strategic priorities: <ul style="list-style-type: none"> <li>– preventing illness — keeping Victorians well</li> <li>– community care — treating more people in the best and more appropriate place</li> <li>– hospital services — providing world class care</li> <li>– focus on chronic illness</li> <li>– active partnerships</li> <li>– workforce issues</li> </ul> </li> <li>• Workforce priorities <ul style="list-style-type: none"> <li>– nursing, medical and ambulance paramedics</li> <li>– physical infrastructure for undergraduate clinical placements</li> <li>– lobbying the Commonwealth for additional undergraduate clinical placements, dental or medical schools</li> <li>– practical infrastructure priorities – equipment and capital works</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• No changes advised at hearing</li> </ul>
Mental Health	<ul style="list-style-type: none"> <li>• <i>Because Mental Health Matters —Victorian Mental Health Reform Strategy 2009-2019</i> for the next decade as well as a strategy implementation plan for the first two years</li> <li>• <i>A New Blueprint for Alcohol and Other Drug Treatment Services, 2009-2013: Client centred, service focused</i></li> <li>• <i>Amphetamine-Type Stimulants and Related Drugs Strategy 2009-2012</i></li> <li>• <i>Restoring the Balance — Victoria’s Alcohol Action Plan 2008-2013</i></li> </ul>	<ul style="list-style-type: none"> <li>• New policies introduced include <i>All of Us — Victoria’s Multicultural Policy</i></li> </ul>
<i>Department of Human Services</i>		
Community Services	<ul style="list-style-type: none"> <li>• <i>Children, Youth and Families Act 2005</i></li> <li>• Priorities set under the national framework for child protection</li> <li>• The reform document titled <i>Out-of-Home Care</i> sets out six reform directions over the next 5 to 10 years</li> <li>• <i>Victorian State Disability Plan 2002-2012</i></li> <li>• Whole-of-government <i>Disability Reform Strategy</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Out-of-Home Care</i> reform directions</li> <li>• Working together with the Commonwealth Government, the release by the Victorian Government of <i>A Fairer Victoria 2009: Standing together in tough times</i></li> </ul>

Portfolio	Description of policies, plans, strategies and priorities	Description of changes from the previous year
<i>Department of Innovation, Industry and Regional Development</i>		
Industry and Trade	<ul style="list-style-type: none"> <li>• Attracting jobs and investment into Victoria — maintaining targets to facilitate \$1.6 billion in new investment in Victoria, the 5,000 jobs and \$739 million in new exports per annum</li> <li>• <i>Victorian Industry and Manufacturing Strategy — Building Our Industries for the Future</i></li> <li>• <i>Industry Transition Fund</i></li> <li>• <i>Moving to the Competitive Business Fund</i></li> <li>• <i>Building our Industries for the Future: Action Plans for Victorian Industry and Manufacturing</i></li> <li>• <i>Victorian Automotive Manufacturing Action Plan</i></li> </ul>	<ul style="list-style-type: none"> <li>• New export strategy</li> <li>• Exploring the aviation sector</li> </ul>
Skills and Workforce Participation	<ul style="list-style-type: none"> <li>• Long-term strategy of sound financial management and investment in Victoria's workforce</li> <li>• <i>Securing Jobs for Your Future: Skills for Victoria</i></li> <li>• <i>Jobs for the Future Economy: Victoria's Action Plan for Green Jobs</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Skills for Victoria</i> strategy beginning to be implemented</li> <li>• Development of a green economy and jobs action plan</li> </ul>
Tourism and Major Events	<ul style="list-style-type: none"> <li>• <i>10-Year Tourism and Events Industry Strategy</i></li> <li>• <i>Victoria's Nature-Based Tourism Strategy 2008-2012</i></li> <li>• <i>Regional Tourism Action Plan 2009-2012</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Victoria's Nature-Based Tourism Strategy 2008-2012</i></li> </ul>
<i>Department of Planning and Community Development</i>		
Planning	<ul style="list-style-type: none"> <li>• <i>Melbourne @ 5 Million</i> (subsuming <i>Melbourne 2030</i>)</li> <li>• Integration with the <i>Victorian Transport Plan</i></li> <li>• <i>Growing Victoria Together</i> objectives i.e. creating a thriving economy by growing and linking all of Victoria</li> <li>• Various Government strategies, e.g. for sustainable development and protecting and managing Victoria's cultural and natural heritage</li> </ul>	<ul style="list-style-type: none"> <li>• Output aims do not change in the medium or long-term</li> </ul>
Senior Victorians	<ul style="list-style-type: none"> <li>• Key strategic direction — design and adapt services to meet the health and wellbeing needs of older Victorians</li> <li>• An ageing policy framework is in the process of finalisation</li> <li>• <i>Victorian Home and Community Care Triennial Plan 2008-11</i></li> <li>• <i>The Victorian Government's Role in Residential Aged Care: Victorian Government residential aged-care policy 2009</i></li> <li>• Dementia framework for Victoria</li> <li>• Recognising and supporting care relationships for older Victorians</li> </ul>	<ul style="list-style-type: none"> <li>• Residential aged care</li> </ul>
Sport, Recreation and Youth Affairs	<ul style="list-style-type: none"> <li>• <i>Growing Victoria Together</i></li> <li>• <i>A Fairer Victoria</i></li> <li>• <i>Statement of Government Intentions</i></li> <li>• Department of Planning and Community Development's strategic plan outlined in the <i>Corporate Plan 2010-2014</i></li> <li>• <i>Sport and Recreation 2005-2010: A Five Year Strategic Plan for Sport and Recreation Victoria</i></li> <li>• Initiatives relating to sporting facilities are based on on-going processes of substantive, medium and long-term planning, e.g. stage 1 of the redevelopment of Melbourne Park</li> <li>• Initiatives are prioritised across five outcome areas specified in <i>Future Directions: A Focus on Outcomes for Young People</i></li> </ul>	<ul style="list-style-type: none"> <li>• Strategies related to specific initiatives have been developed during the year, e.g. planning strategy relating to Melbourne Park</li> <li>• Next stage of <i>A Fairer Victoria</i> strategy</li> </ul>

Portfolio	Description of policies, plans, strategies and priorities	Description of changes from the previous year
<i>Department of Premier and Cabinet</i>		
Arts	<ul style="list-style-type: none"> <li>• <i>Growing Victoria Together</i> is an important driver</li> <li>• <i>Creative Capacity +</i> policy (ten-year policy framework) goals</li> <li>• cultural participation</li> <li>• economy based on innovation</li> <li>• a dynamic arts sector</li> <li>• <i>Action for Victoria's Future</i> framework</li> </ul>	<ul style="list-style-type: none"> <li>• No changes advised at hearing</li> </ul>
<i>Department of Primary Industries</i>		
Energy and Resources	<ul style="list-style-type: none"> <li>• Planning strategies for the portfolio are based on the Departmental strategic plan which is shaped by Government policies, particular the <i>Growing Victoria Together</i> vision</li> <li>• The department leads primary industries in Victoria to achieve the following objectives through the <i>Energy Technology Innovation Strategy</i> (ETIS): <ul style="list-style-type: none"> <li>– increase productivity and competitiveness</li> <li>– increase the volume of exports and investments and the quality and quantity of jobs</li> <li>– reduce the intensity of greenhouse gas emissions</li> <li>– improve efficiency of energy, water and other resources</li> <li>– increase the reuse of waste products generated from production</li> </ul> </li> <li>• ETIS supports research, development, demonstration and deployment of investment in low energy technologies</li> <li>• Solar generation is a strategic priority</li> </ul>	<ul style="list-style-type: none"> <li>• No changes advised at hearing</li> <li>• The <i>Energy Saver Incentive</i> introduced in August 2009</li> </ul>
<i>Department of Sustainability and Environment</i>		
Water	<ul style="list-style-type: none"> <li>• <i>Growing Victoria Together — Innovative State, Caring Communities</i>: key goals are to protect the environment and the efficient use of natural resources</li> <li>• <i>Our Water Our Future: The Next Stage of the Government's Water Plan</i></li> <li>• Sustainable water strategies – central and northern regions</li> <li>• Corporate plans of water authorities</li> </ul>	<ul style="list-style-type: none"> <li>• No changes to planning framework</li> </ul>
<i>Department of Transport</i>		
Public Transport	<ul style="list-style-type: none"> <li>• <i>Victorian Transport Plan</i></li> <li>• Focus on increasing the use of public transport, as well as walking and cycling</li> <li>• <i>Building Australia Fund</i> projects</li> <li>• <i>Nation Building</i> projects</li> <li>• <i>Infrastructure Australia</i> priorities</li> <li>• <i>Accessible Public Transport in Victoria — Action Plan 2006-2012</i></li> <li>• <i>Keeping Melbourne Moving</i> strategy</li> </ul>	<ul style="list-style-type: none"> <li>• No changes advised at hearing</li> </ul>

Source: 2010-11 budget estimates hearings

### 4.3 Commonwealth agreements

The Committee acknowledges the importance of ensuring at the state level that medium and long-term planning coincides with the extensive planning work undertaken by the Council of Australian Governments (COAG). The Committee notes the additional funding provided to Victoria as part of the new national health and hospitals reform agreed by COAG.<sup>21</sup> Further comment by the Committee on COAG reforms and Commonwealth-State arrangements, which include human capital and infrastructure initiatives, are covered in Chapter 5 of this report.

Based on evidence supplied to the Committee at the budget estimates hearings, a summary of some of the key Commonwealth agreements (and new targets) that underpin longer-term strategies at the local level and funding over the 2010-11 Budget and forward estimates is shown in Table 4.4.

**Table 4.4: Description of Commonwealth agreements that underpin longer-term strategies and funding over the 2010-11 Budget and forward estimates**

Portfolio	Description of Commonwealth agreements
Education	<ul style="list-style-type: none"> <li>• National Partnerships               <ul style="list-style-type: none"> <li>– Literacy and Numeracy</li> <li>– Low Socio-Economic Status School Communities</li> <li>– Teacher Quality</li> </ul> </li> <li>• <i>Building the Education Revolution</i></li> </ul>
Health	<ul style="list-style-type: none"> <li>• National Partnerships</li> <li>• <i>Elective Surgery Waiting List Reduction Plan</i></li> <li>• new <i>National Health and Hospitals Reform</i> agreed by COAG</li> <li>• Emergency care – new targets and additional funding</li> </ul>
Children and Early Childhood Development	<ul style="list-style-type: none"> <li>• National Partnerships</li> <li>• Early Childhood Education: <i>National Quality Agenda for Early Childhood Education and Care</i>, including child-staff ratios and requiring increased staff qualifications</li> </ul>
Housing	<ul style="list-style-type: none"> <li>• <i>National Affordable Housing Agreement</i></li> </ul>

Source: 2010-11 Budget Estimates hearings

### 4.4 Annual Statement of Government Intentions - relevance to the Budget

The *Annual Statement of Government Intentions* sets out in February the Government's intentions for the forthcoming calendar year. Outlining the Government's priorities, the forward plan discloses the challenges and opportunities ahead and highlights issues that need to be addressed. The Government's work plan outlines the major legislation, policy initiatives and debates of the year. The Statement serves to outline the particular reforms the Government intends to bring before Parliament or develop for the future. The Statement also identifies source documents which comprise policies, strategies and plans that govern particular actions planned for the year together with the responsible ministers.

21 Budget Paper No.4, 2010-11 Statement of Finances, pp.221, 231

Priorities earmarked for 2010 include the following:<sup>22</sup>

- securing jobs and creating new ones;
- implementing new bushfire strategies to keep Victorians safe;
- making our communities safe and secure;
- managing growth to protect and enhance our quality of life, both in Melbourne and regional and rural Victoria;
- improving education and health;
- making Victoria a fairer place;
- building active communities;
- taking effective action on the challenges of climate change, water security and drought; and
- implementing legislative and regulatory reform.

The *Annual Statement of Government Intentions* sets out the Government's short-term intentions that cover the forthcoming calendar year, which comprise key measures or projects to be progressed or completed over that year. The Committee considers that this document would have more relevance to the Budget, which is handed down in May and covers the next financial year and the following three out years, if it was reconfigured to:

- reflect initiatives on a financial year basis; and
- also include the medium and long-term intentions of the Government.

Disclosure of such information in February would, at an early stage, set the scene for program implementation and funding, not only over the budget year, but over the out years of the May Budget.

**Recommendation 9:**      **In terms of improving the relevance of the *Annual Statement of Government Intentions* to the budget by linking government intentions with funding, the Government evaluate the merits of transforming its *Annual Statement of Government Intentions* into a key strategic planning document for Government by:**

- (a) **including a section that outlines the medium to long-term intentions of the Government; and**
- (b) **aligning the period covered with that of the Budget.**

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22 Victorian Government, *February 2010 Annual Statement of Government Intentions*, February 2010, pp.iii–iv, 1–4

## CHAPTER 5: THE COAG REFORM AGENDA AND PRODUCTIVITY IN VICTORIA

### Key findings of the Committee:

- 5.1 The Council of Australian Governments (COAG) Reform Agenda and other productivity improvements remain particularly important in Victoria in the context of recovery from the Global Financial Crisis and changes in Victoria's employment trends, demographics and climate.
- 5.2 A number of important agreements were made by COAG in 2009-10, including major healthcare reform and a number of strategies to boost productivity.
- 5.3 Most Victorian departments are affected by agreements under the COAG Reform Agenda. In many cases this means designing State budget initiatives so that they complement Commonwealth funding.
- 5.4 In terms of the National Reform Agenda, the COAG Reform Council measured Victoria's performance in 2008-09 against milestones in 28 areas. The Council assessed Victoria as making good progress against milestones in 16 areas, completing milestones late or only partially in six areas and not meeting milestones or having significant risk of not meeting future milestones or objectives in six areas. In all six of the latter cases, not only Victoria but all relevant jurisdictions were assessed the same.
- 5.5 The State Government provided information about its plans to undertake COAG-related reforms in Budget Paper No.2 and the *Annual Statement of Government Intentions*, but only at a very high level. There is scope for more detailed reporting as to what the Government expects to achieve in the forthcoming year.
- 5.6 There is the potential for Victoria to lead by example in improving COAG milestones by developing its own milestones where the COAG milestones are deficient.
- 5.7 In 2008-09, the COAG Reform Council tabled reports on all six National Agreements, with data that can be used as baseline indicators to assess Victoria's progress in future years.
- 5.8 Departments report that they have smoothly transitioned to the new performance reporting framework resulting from COAG agreements, with the Department of Premier and Cabinet and the Department of Treasury and Finance playing important facilitating roles. There are, however, some concerns about some elements of the new framework in their current form for the education and human services areas.
- 5.9 The budget papers provided information about a number of activities to increase productivity and efficiency in Victoria in the Victorian private sector in the budget papers. However, there is potential for improvement in terms of how information about efficiency targets for Government departments is provided in the budget papers.
- 5.10 The Committee was pleased to see that all departments expect to have increased levels of efficiency in 2010-11 compared to 2009-10.

## 5.1 Introduction

The Council of Australian Governments (COAG) Reform Agenda commenced in 2008. It is intended to ‘*boost productivity, workforce participation and geographic mobility, and support wider objectives of better services for the community, social inclusion, closing the gap on Indigenous disadvantage and environmental sustainability.*’<sup>1</sup> It is expected to provide a platform for cooperative reforms and investments underpinned by ‘*a common commitment to clear goals, genuine partnership and the governance and funding arrangements needed to deliver real reform.*’<sup>2</sup>

To achieve these goals, it was considered necessary to reform Commonwealth-State financial relations, and a new *Intergovernmental Agreement on Federal Financial Relations* commenced on 1 January 2009. This included new reporting requirements and an expanded monitoring role for the COAG Reform Council.<sup>3</sup>

The Productivity Commission recently emphasised the importance of the COAG Reform Agenda in ensuring Australia’s future economic performance.<sup>4</sup> In particular, the Productivity Commission considers that the Global Financial Crisis has placed additional emphasis on:<sup>5</sup>

- reforms that reduce impediments to capital and labour being moved so as to adjust to the new economic conditions; and
- rigorous evaluation and review processes to ensure that budget money is put towards the most efficient and effective programs.

The Victorian Government has acknowledged the importance of improving productivity in the context of recovery from the Global Financial Crisis, identifying that many of Victoria’s global competitors are ‘*are likely to emerge leaner and more efficient in the aftermath of the global financial crisis*’ and that ‘*capacity constraints that eased during the downturn could quickly re-emerge as the recovery gathers pace.*’<sup>6</sup>

The Government has also explained that improving the State’s productivity is an important factor in meeting the challenges of population growth, changes in work patterns, population ageing and climate change.<sup>7</sup> Improvements in productivity have been the most significant contributor to Victoria’s economic growth since 1999.<sup>8</sup>

In addition to reforms and policies that improve productivity in the private sector, the Government can also achieve significant gains through improving the productivity of services it delivers. Healthcare and education in particular involve spending significant quantities of money, and productivity gains in those areas may yield significant gains.<sup>9</sup>

1 Council of Australian Governments, *Communiqué*, 26 March 2008, p.2

2 *ibid.*

3 *ibid.*, p.3

4 Productivity Commission, *Annual Report 2008-09*, October 2009, p.24

5 *ibid.*, pp.19–20, 25–6

6 Budget Paper No.2, *2010-11 Strategy and Outlook*, May 2010, p.67

7 *ibid.*, p.68

8 *ibid.*

9 Productivity Commission, *Annual Report 2008-09*, October 2009, pp.26–7

Given these factors, the Committee has taken, and continues to take, a strong interest in Victoria's plans for implementing the Reform Agenda and facilitating improvements in productivity.

### 5.1.1 **Past coverage by the Committee**

The Committee has examined the Government's plans with respect to the COAG Reform Agenda (and, before that, the National Reform Agenda) each year in its budget estimates reports since 2006. The Committee has also examined progress on these matters in some of its inquiries into financial and performance outcomes.

The Committee has made a number of recommendations over the years. These have been largely focused on increased reporting in the budget papers and departmental annual reports of programs, achievements and outcomes associated with the COAG Reform Agenda. In general, the Government has been reluctant to accept or fully accept the Committee's recommendations, often citing the fact that the COAG Reform Council's role is to report on states' progress with respect to the Reform Agenda and suggesting that duplicating this on a state level is unnecessary.

Whilst agreeing that there is no need to duplicate reporting, the Committee maintains that there are two broad areas which are not covered by the COAG Reform Council's reporting that it would be appropriate for the Government to report on.

The first area is ensuring that departmental and State policies align with COAG policies. This includes indicating what actions departments or the Government as a whole intend to take to meet the objectives of the COAG Reform Agenda and how Government policies and programs contribute to achieving the COAG objectives.

Secondly, there is a role for reporting at the state level where the COAG Reform Council's reporting is relatively high-level, or not broken down by state. Examples of this are discussed further in Sections 5.4 and 5.5 below.

These two areas have been the focus for most of the Committee's recommendations in previous years and the Committee believes that it is important for the Government to continue to bear these matters in mind. Given that these reforms are important for the State, it is appropriate for the Government to be accountable to Victorians for its performance and to ensure accessibility to meaningful performance information in these areas.

**Recommendation 10: The Department of Treasury and Finance consider any ways to improve information accessibility, via the reporting in the budget papers or through amending the reporting requirements for departments, to make clearer the extent of policy alignment between the departments, whole of Victorian Government intentions and the Council of Australian Governments Reform Agenda.**

## 5.2 **COAG deliberations 2009-10**

In 2009-10, COAG had meetings on 2 July 2009, 7 December 2009 and 19-20 April 2010. Of particular importance at these meetings was the agreement between the Commonwealth and all states except, for Western Australia, on health care reform. The new *National Health and Hospitals Network* will see the Commonwealth become the majority funder of public hospitals and have funding and policy responsibility for general practice and primary health care. To finance this increased Commonwealth responsibility, changes include a portion of GST revenue

which has previously gone to the states being retained by the Commonwealth and used for this purpose.<sup>10</sup>

Also at these meetings, a *National Partnership Agreement on Energy Efficiency* to accelerate energy efficiency improvements for homes and businesses was agreed to and an Early Years Learning Framework to support early learning was adopted and implemented.<sup>11</sup>

A number of other matters were agreed to by COAG in 2009-10, including steps towards:

- transport regulation reform;<sup>12</sup>
- an International Students Strategy;<sup>13</sup>
- water reforms;<sup>14</sup>
- strategies to ‘close the gap’ in Indigenous disadvantage;<sup>15</sup> and
- reform to housing supply and affordability.<sup>16</sup>

Specifically regarding productivity, COAG’s actions included agreeing to:

- compacts with retrenched workers and young Australians to gain skills through education and training;<sup>17</sup>
- reforms of vocational education and training;<sup>18</sup>
- multiple reforms of business regulations; and<sup>19</sup>
- a new National Quality Agenda for early childhood education and care outside school hours, with implementation beginning from 1 July 2010.<sup>20</sup>

### **5.3 The impact of Commonwealth decisions, including the COAG Reform Agenda, on the 2010-11 State Budget**

Through the budget estimates questionnaire, the Committee sought information from departments about the impact of Commonwealth decisions, including the COAG Reform Agenda, on their components of the 2010-11 Budget. The departments’ responses are summarised in Table 5.1. Full responses can be seen in Appendix 1 of Part One of this report.

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10 Council of Australian Governments, *Communiqué*, 19-20 April 2010, pp.2–5

11 Council of Australian Governments, *Communiqué*, 2 July 2009, pp.10–11, 7

12 *ibid.*, pp.8–9

13 *ibid.*, pp. 11–12; Council of Australian Governments, *Communiqué*, 19-20 April 2010, pp.12–14

14 Council of Australian Governments, *Communiqué*, 7 December 2009, p.11

15 *ibid.*, pp.12–13; Council of Australian Governments, *Communiqué*, 2 July 2009, pp.1–5

16 Council of Australian Governments, *Communiqué*, 19-20 April 2010, p.15

17 Council of Australian Governments, *Communiqué*, 2 July 2009, pp.5–6

18 *ibid.*, p.6; Council of Australian Governments, *Communiqué*, 7 December 2009, pp.5–6

19 Council of Australian Governments, *Communiqué*, 2 July 2009, pp.6–7; Council of Australian Governments, *Communiqué*, 7 December 2009, pp.10–11

20 *ibid.*, p.4

**Table 5.1: The impact of developments at the Commonwealth level on the State budget**

Department	Impacts
Education and Early Childhood Development	<p>Funding through the COAG Reform Agenda has included:</p> <ul style="list-style-type: none"> <li>• \$14.3 million over four years through the <i>National Partnership on the National Quality Agenda for Early Childhood Education and Care</i>; and</li> <li>• \$59.5 million over four years through the <i>National Partnership for Youth Attainment and Transitions</i>.</li> </ul> <p>There has been a reduction in Commonwealth funding from the previous year, though <i>Building the Education Revolution</i> funding continues to complement State asset funding. In developing budget proposals, the Department has considered the interaction between State and Commonwealth funding so that State-funded projects are complementary to the Commonwealth-funded projects and resource allocation is optimised.</p>
Health	<p>The <i>National Health and Hospitals Network</i> will be a major impact. The Department is working with the central agencies and the Commonwealth on funding details.</p>
Human Services	<p>Though the State Government provides the majority of funding for disability services, the <i>National Disability Agreement</i> also includes some funding for disability services. This Commonwealth funding complements Victorian Government policy directions.</p> <p>A reallocation of funding between components of the <i>Nation Building — Economic Stimulus Plan</i> resulted in \$317.8 million less for social housing. The State budget for this was reduced accordingly.</p> <p>Funding is still supplied for 2010-11 through the <i>Homelessness National Partnership Agreement</i> and the <i>Remote Indigenous National Partnership</i>.</p> <p>Commonwealth developments have not had a material impact on services delivered through the <i>Children, Youth and Families</i> program.</p>
Innovation, Industry and Regional Development	<p>Commonwealth developments have had an impact on the vocational education and training component of the Budget, but have been accommodated within existing Commonwealth–State funding arrangements.</p> <p>The <i>Victorian Training Guarantee</i> was brought forward to support individuals identified under the <i>COAG Compact with Young Australians</i> and the <i>Compact with Retrenched Workers</i>.</p> <p>Commonwealth funding also contributed to delivering key elements of <i>Securing Jobs for Your Future</i>.</p>
Justice	<p>The <i>Disaster Resilience Package</i> consolidates the <i>Bushfire Mitigation Program</i> and <i>National Disaster Mitigation Package</i> and provides a further net \$2 million in the Department’s component of the 2010-11 State Budget.</p> <p>Changes to legal aid funding arrangements mean that funding for legal aid commissions is now paid through State treasuries rather than directly to the commissions. This means that the total output cost in the State Budget is higher, although there is no net impact on the Department’s finances. The amount of legal aid funding for Victoria was not known at the time the State Budget was handed down.</p>
Planning and Community Development	<p>The Department’s work in Indigenous affairs is impacted by activity associated with the <i>National Indigenous Reform Agreement</i> and the application of its Urban and Regional Strategy for Indigenous Australians in Victoria.</p>
Premier and Cabinet	<p>There has been no direct impact on the departmental budget other than recognition of the continued importance of policy advice to the Premier to support Victoria’s input into the COAG Reform Agenda.</p>
Primary Industries	<p>There are no National Agreements or National Partnership Agreements that govern primary and energy industries.</p>
Sustainability and Environment	<p>The Commonwealth provides funding for natural resource management through the <i>Caring for Our Country</i> program and funding for a range of water projects. However, developments at the Commonwealth level have had a minimal impact on the Department for 2010-11.</p>

Department	Impacts
Transport	<p>Key elements of the COAG Reform Agenda affecting the Department include plans to address urban congestion and increase productivity of the freight sector through regulatory reform and network access for higher productivity freight vehicles.</p> <p>A memorandum of understanding means that agreed rail and road projects are delivered under the Nation Building Program.</p> <p>The Commonwealth 2009-10 Budget provided:</p> <ul style="list-style-type: none"> <li>• \$3.225 billion funding for construction of the Regional Rail Link; and</li> <li>• \$40 million for planning and development of the Melbourne Metro rail tunnel.</li> </ul> <p>Victoria provided a submission to Infrastructure Australia for funding in the 2010-11 Commonwealth Budget.</p>
Treasury and Finance	<p>The Department is responsible for the implementation of the <i>National Partnership Agreement to Deliver a Seamless National Economy</i>.</p> <p>The Department also participates in COAG working groups and provides continuing support for the Treasurer in his participation on the Ministerial Council for Federal Financial Relations.</p>

Source: Departmental responses to the Committee's 2010-11 budget estimates questionnaire

The Committee notes that most departments are affected by National Agreements or National Partnership Agreements and the COAG Reform Agenda. The Committee notes that several departments emphasised that initiatives in the State Budget were designed so that they complemented Commonwealth funding and the Committee commends this approach.

## 5.4 Progress on the National Reform Agenda

The COAG Reform Council released a number of reports in 2009-10, including a progress report on the *National Partnership Agreement to Deliver a Seamless National Economy*. This report included progress on the National Reform Agenda (which preceded the COAG Reform Agenda), which had been previously reported annually in a separate report.

The *National Partnership Agreement to Deliver a Seamless National Economy: Report on Performance 2008-09* assesses the progress of Australian governments against the milestones for 2008-09 for 36 streams (27 deregulation streams, eight competition reform streams and an ongoing commitment to improve processes for regulation making and review). The report concluded that:<sup>21</sup>

*... there has been good or generally satisfactory progress against 18 of the 27 deregulation priorities and four of the eight competition reforms. Much has been achieved by governments over the course of 2008-09. However, constant effort will be required over the next two years to ensure that key implementation milestones are achieved, particularly in those reform areas identified by the council as most at risk.*

Victoria's performance against milestones in the 28 areas (covering 24 streams) for which the State had milestones in 2008-09 has been summarised in Table 5.2 below.

21 Council of Australian Governments Reform Council, *National Partnership Agreement to Deliver a Seamless National Economy: Report on Performance 2008-09*, December 2009, p.v

**Table 5.2: Victoria's progress against its 2008-09 milestones in the National Partnership Agreement to Deliver a Seamless National Economy**

Area	Good progress against milestones (number of areas)	Milestones completed late or only partially (number of areas)	Milestones not met/significant risk of not meeting future milestones or objectives (number of areas)	Total number of areas with milestones for Victoria in 2008-09 (number of areas)
Deregulation priorities	10	5	3	18
Competition reforms <sup>(a)</sup>	3	1	3	7
Regulation making and review <sup>(b)</sup>	3	0	0	3

Notes:

- (a) Two streams were broken down into multiple areas for reporting purposes.  
 (b) The COAG Reform Council divided this one stream into three actions for progress reporting purposes, but noted that all of Victoria's action items were statements of fact.

Source: Council of Australian Governments Reform Council, *National Partnership Agreement to Deliver a Seamless National Economy: Report on Performance 2008-09, December 2009*, pp.xxi, xxviii, 353-6

The Committee notes that all six areas in which Victoria had not met its milestones or where there was significant future risk were areas for which all relevant governments were assessed the same, and were not areas where Victoria was falling behind the other jurisdictions. A compendium of actions taken between 30 September 2009 and 16 February 2010 also indicated that progress had been made in all six areas after the release of the 2008-09 progress report.<sup>22</sup>

As noted in Section 5.1.1 above, the Committee has made a number of recommendations over the years focused on improving transparency in terms of the Victorian Government's commitment towards implementing the COAG Reform Agenda. In terms of what the Victorian Government intends to do in a forthcoming year, there are two main sources of information:

- Chapter 5 of the Victorian Budget Paper No.2 provides information about the Government's economic reform agenda, including matters to do with the COAG Reform Agenda and Commonwealth-State relations (with the 2010-11 Budget, the Government also published a budget information paper, *Putting Patients First*, providing details of spending in health care, including information about the new *National Health and Hospitals Network Agreement*); and
- the *Annual Statement of Government Intentions* provides details of work that the State Government intends to do with COAG and initiatives that it intends to implement as a result of national agreements.

Both the budget papers and the *Annual Statement of Government Intentions* provide information at a very high level. In both cases, the COAG-related reforms are not presented together, but are scattered throughout the chapter/document, making it difficult to identify exactly what the Government expects to achieve in the forthcoming year and what funding has been provided

22 Council of Australian Governments Reform Council, *National Partnership Agreement to Deliver a Seamless National Economy: Compendium of actions against 2008-09 milestones since 30 September 2009 (as at 16 February 2010)*

to undertake such efforts. Without this information being presented at the start of a financial year, the Government's performance on these matters is not readily appreciated by the Victorian community.

**Recommendation 11: The Department of Treasury and Finance detail in future budget papers what Council of Australian Governments Reform Agenda milestones the Victorian Government intends to achieve in the coming year, which departments will be responsible and how much funding has been allocated to associated projects.**

Moreover, the COAG Reform Council has identified a number of deficiencies in some of the milestones, such as actually being statements of fact or lacking in detail.<sup>23</sup> This is primarily a matter for the consideration of COAG, and the Committee notes that COAG has agreed to review matters.<sup>24</sup> However, the Committee considers that the Victorian Government, via its central agencies, has the potential to lead by example in some of these areas, by providing more detailed milestones regarding how it intends to achieve the outcomes sought by the reforms.

**Recommendation 12: Where the Council of Australian Governments Reform Agenda milestones are deficient, the Victorian Government develop its own milestones to indicate what progress it intends to make within a reporting period towards the agreed reforms and disclose these in the budget papers along with the Council of Australian Governments Reform Agenda milestones it intends to achieve.**

## **5.5 Progress and planned actions towards implementing the framework for Federal financial relations**

COAG agreed to a new *Intergovernmental Agreement on Federal Financial Relations* in November 2008, to apply from 1 January 2009. The agreement provides a foundation for the Commonwealth and states to ‘(a) collaborate on policy development and service delivery; and (b) facilitate the implementation of economic and social reforms; in areas of national importance.’<sup>25</sup> A number of new arrangements have been put in place since this agreement commenced, including the finalisation of six National Agreements and 16 National Partnerships to achieve the objectives of the agreement.<sup>26</sup>

Of particular interest to the Committee is the agreement's objective to provide ‘enhanced public accountability through simpler, standardised and more transparent performance reporting by all jurisdictions, with a focus on the achievement of outcomes, efficient service delivery and timely public reporting.’<sup>27</sup>

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23 Council of Australian Governments Reform Council, *National Partnership Agreement to Deliver a Seamless National Economy: Report on Performance 2008-09*, December 2009, p.332

24 Council of Australian Governments, response to COAG Reform Council Report on Performance Against 2008-09 National Partnership Agreement Implementation Plan Milestones (CRC Report), April 2010, p.7

25 Council of Australian Governments, *Intergovernmental Agreement on Federal Financial Relations*, p.3

26 Commonwealth Government, Budget Paper No.3 2010-11, *Australia's Federal Relations*, p.9

27 Council of Australian Governments, *Intergovernmental Agreement on Federal Financial Relations*, p.4

In 2008-09, the COAG Reform Council tabled reports on all six National Agreements analysing governments' performance in 2008 or 2008-09, to be used as baseline indicators to track progress. This will allow a more detailed analysis of Victoria's progress towards the outcomes of these agreements in future years.

The Committee sought information from departments as to their experiences in transitioning to the new performance reporting framework set up under these agreements.

Those departments to which the new performance reporting arrangements apply report that they have moved smoothly to the new reporting framework. They have also indicated that the new framework has been applied in state-funded programs and services managed in tandem with the Commonwealth. The Department of Health, where significant changes will occur, has established an Office of National Reporting 'to coordinate all National Agreements; National Partnership Agreements; and, data provision and reporting to the Commonwealth.'<sup>28</sup> The Department of Education and Early Childhood Development indicated that it:<sup>29</sup>

*... has, as far as possible, aligned all Departmental performance measures with the COAG Reform Council framework, including the DEECD Outcome Measurement Matrix. The Department has also worked to align performance measures and indicators in Victorian whole-of-government frameworks against which it reports with the COAG framework.*

The Committee was also informed that the Department of Premier and Cabinet and the Department of Treasury and Finance have played key roles in facilitating line departments' adaptation to the new framework. These roles have included both coordinating and providing whole-of-government advice to departments and also working with the COAG Reform Council to ensure that reporting requirements are appropriate.

The Department of Premier and Cabinet explained that it:<sup>30</sup>

*... has a role in coordinating reporting to the COAG Reform Council (CRC) and has been working with line agencies to ensure a whole of Victorian Government understanding of the new performance reporting framework. As part of this role the Department works closely with the Department of Treasury and Finance, the CRC and the Department's Commonwealth and State and Territory counterparts. The Department has transitioned to the CRC's performance reporting framework, and continues to provide whole of Victorian Government advice to ensure that COAG reporting requirements align as closely as possible with internal reporting requirements.*

28 Department of Health, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part A, received 28 April 2010, p.1 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.111)

29 Department of Education and Early Childhood Development, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part A, received 28 April 2010, p.7 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.86)

30 Department of Premier and Cabinet, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part A, received 27 April 2010, p.1 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.245)

The Department of Treasury and Finance added that:<sup>31</sup>

*The department has been working closely with line agencies to assist them adopt and transition their own performance reporting systems to integrate the new CRC framework. The success of this process was aided by Victoria's significant contribution at the time of the development of COAG reporting framework.*

*The department continues to work as member of Productivity Commission's Steering Committee for the Review of Government Service Provision (the group responsible for the provision of data to the CRC) to ensure a level of integration and coordination in the collation of information for the CRC.*

*The department has a key role in ensuring the integrity of the Intergovernmental Agreement on Federal Financial Relations (IGA) is maintained. This includes continuing close working relationships with line agencies in the implementation of the six national agreements that provide Commonwealth contributions to the delivery of services. This role includes working with departments on issues pertaining to reporting against those agreements.*

*The department, in conjunction with the Department of Premier and Cabinet and line agencies, will continue to work through the participation in the relevant national forums to the further development and refinement of the COAG reporting framework.*

The Committee is pleased to see these agencies undertaking these important roles.

The Committee notes that some departments expressed concerns about the new framework. Although the Department of Education and Early Childhood Development explained that it has aligned its departmental performance measures with the COAG framework as far as possible, the Department also indicated that the data used for reporting to the COAG Reform Council are not always the most accurate data it has, as other, more robust data that are available to the Department are not nationally comparable.<sup>32</sup> The Department of Human Services indicated that in some cases 'data needed to assess measures are not currently available on an annual basis, or are under development in terms of sourcing or definition.'<sup>33</sup> Similar concerns to these have been raised by the COAG Reform Council in its reports on the baseline indicators released in 2008-09, and COAG has already agreed to make amendments in the education area.<sup>34</sup> However, while waiting for improvements to the COAG framework, it is important for departments to provide the most meaningful data they have on their performance to ensure appropriate transparency and accountability of their performance.

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31 Department of Treasury and Finance, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part A, received 29 April 2010, p.7 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.344)

32 Department of Education and Early Childhood Development, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part A, received 28 April 2010, p.7 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.86)

33 Department of Human Services, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part A, received 27 April 2010, p.1 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.142)

34 Council of Australian Governments, *Communiqué*, 7 December 2009, p.7

**Recommendation 13:** Where departments consider the Council of Australian Governments reporting framework to be inadequate, they provide data about their performance in their annual reports with respect to both the agreed indicators and what they consider to be better indicators.

## 5.6 Other planned improvements to productivity and efficiency

The Victorian Government has plans for a number of other activities to increase productivity and efficiency in Victoria, including:<sup>35</sup>

- market-based approaches to selected policy problems;
- reducing the regulatory burden on businesses, not-for-profit organisations, local government, government service delivery and individuals;
- reforms to education and training; and
- seeking to improve planning and investment approvals processes.

In addition to reforms to improve productivity in the private sector, improvements to government efficiency also have the potential to contribute to the State's economic growth. Over the past several years, the Committee has taken an interest in the reporting of the Government's intentions with regard to efficiency savings and the reporting of the actual outcomes achieved.

The previous three budgets have announced efficiency targets designed to save money across departments. In all of those years, efficiencies expected to be achieved by each department were listed in Appendix A of Budget Paper No.3, with a table at the end of the Appendix totalling the efficiencies across the departments. As discussed in Section 2.6.1 above, this did not appear in the 2010-11 budget papers. Only an aggregated figure of \$503.2 million for '*funding from demand and other efficiencies*' was presented.<sup>36</sup>

In their responses to the Committee's budget estimates questionnaire, several departments advised of 2010-11 efficiency initiatives affecting them (see Table 5.3).

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35 Budget Paper No.2, *2010-11 Strategy and Outlook*, May 2010, pp.67–80

36 *ibid.*, p.41

**Table 5.3: Efficiency initiatives in the 2010-11 Budget advised by departments**

Department	2010-11 Budget efficiency initiatives (\$ million)
Human Services	19
Innovation, Industry and Regional Development <sup>(a)</sup>	18
Premier and Cabinet	3
Primary Industries	4
Sustainability and Environment	10

Note: (a) Explained by the Department as ‘\$10 million WoG 2010-11 Budget saving that was applied by the Department, across the board, to its non-wage cost base and \$8 million contribution (total contribution is \$30m over the four year period) to fund the new TAFE teachers EBA outcome’

Source: Departmental responses to the Committee’s 2010-11 budget estimates questionnaire; additional information provided by the Department of Premier and Cabinet in correspondence with the Committee

The Department of Sustainability and Environment advised that the figure it cited was included in the aggregated figure for ‘funding from demand and other efficiencies’. The Committee considers that a budget component in excess of \$500 million is significant enough to warrant being broken down into its components and that it would be more helpful for future budgets to detail efficiency initiatives in the same way as the 2007-08 to 2009-10 budgets.

**Recommendation 14: The Department of Treasury and Finance provide in the budget papers details of efficiency initiatives as in previous years, broken down by department and totalled for the whole government, and disaggregated from other figures.**

In addition to initiatives in the 2010-11 Budget, targets set in the forward estimates of initiatives in the previous three budgets were expected to result in \$478.8 million worth of savings in 2010-11.<sup>37</sup> These are not discussed in the 2010-11 budget papers. Although these savings are not initiatives for 2010-11, these programs constitute a significant input into decisions about funding allocation. The Committee therefore considers that it would be helpful for the reader to understand the budgeting process better if the magnitude and effects of the efficiency targets applying to 2010-11 were discussed in the budget papers.

Moreover, the Committee understands that changes to the initial targets have occurred since their announcement. The Department of Sustainability and Environment advised that:<sup>38</sup>

*... following the 2007-08 Budget, the Department of Treasury and Finance reviewed the nature and level of savings required to be achieved by the Department.*

*As a result of that review, the Department’s savings target for 2010-11 was reduced by \$0.6 million.*

37 see Section 2.6.1 above

38 Department of Sustainability and Environment, response to the Committee’s 2010-11 Budget Estimates Questionnaire — Part B, received 5 May 2010, p.11 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.284)

From the perspective of transparency, the Committee considers it appropriate for such revisions to the targets to also be made public.

**Recommendation 15: The Department of Treasury and Finance include in future budget papers a discussion of any efficiency targets influencing that year's budget, including initiatives announced in previous budget papers, and any changes to the targets or strategies used to achieve those targets since the initiatives were announced.**

The Committee sought details of planned efficiencies for 2010-11 (including both 2010-11 initiatives and initiatives announced in previous budgets) from departments in its budget estimates questionnaire. Details are summarised in Table 5.4.

**Table 5.4: Efficiencies for 2010-11 by department**

Department	Total efficiencies for 2010-11 <sup>(a)</sup> (\$ million)	Total expenses from transactions 2010-11 <sup>(b)</sup> (\$ million)	Efficiency savings as a proportion of total expenses 2010-11 (%)	Efficiency savings as a proportion of total expenses 2009-10 <sup>(c)</sup> (%)
Education and Early Childhood Development	110.8	8,615.1	1.3	0.6
Health	55.0	13,215.3	0.4	n/a
Human Services	118.2	3,381.4	3.5	0.5
Innovation, Industry and Regional Development	60.4	2,560.1	2.4	1.6
Justice	65.5	4,212.3	1.6	1.3
Planning and Community Development	26.5	568.3	4.7	2.3
Premier and Cabinet	20.3	616.4	3.3	2.5
Primary Industries	29.2	510.9	5.7	4.1
Sustainability and Environment	53.7	1,345.9	4.0	2.7
Transport	51.5	5,529.2	0.9	0.6
Treasury and Finance	28.1	359.6	7.8	5.3
<b>Total</b>	<b>619.3</b>	<b>40,914.5</b>	<b>1.5</b>	<b>0.9</b>

Sources:

- (a) Departmental responses to the 2010-11 budget estimates questionnaire; Budget Paper No.3 2007-08 to 2009-10; additional information provided by the Department of Health, the Department of Premier and Cabinet and the Department of Planning and Community Development in correspondence with the Committee
- (b) Budget Paper No.4, 2010-11 Statement of Finances
- (c) Departmental responses to the 2009-10 budget estimates questionnaire; Budget Paper No.3 2008-09 and 2009-10; Budget Paper No.4, 2009-10 Statement of Finances

Table 5.4 shows that there are significant variations between departments in terms of how large the efficiency savings they achieve are, both as absolute figures and as proportions of their annual total expenses. The Committee considers that this is not necessarily inappropriate, as efficiency savings targets should be based on individual organisational circumstances rather than just the size of a department's budget. However, it may be worthwhile for the Government to look at whether additional savings are possible in those departments where the targets are a smaller proportion of total expenses, especially as these are in most cases the departments with the larger budgets.

The Committee's previous recommendation that further details of how departments achieve efficiency savings should be reported is discussed further in Section 15.3 in Chapter 15.

The Committee was also pleased to see from these figures that, in every department, the quantity of efficiency savings as a proportion of total expenses increased in 2010-11.

## CHAPTER 6: GENERAL GOVERNMENT INCOME AND REVENUE INITIATIVES

### Key findings of the Committee:

- 6.1 The Victorian Government estimates that its total revenue for 2010-11 will be \$45.8 billion in 2010-11, a 4.6 per cent increase on the revised estimate for 2009-10.
- 6.2 The Committee notes that several of its recommendations for improvements to the budget papers have been adopted in this year's budget papers.
- 6.3 The three most significant sources of revenue for the State will be grants, primarily from the Commonwealth (50 per cent); taxation (32 per cent); and sales of goods and services (13 per cent). These three elements remain a relatively similar proportion of the State's revenue compared to 2009-10 and are expected to continue to remain at similar proportions through the forward estimates period.
- 6.4 The Government's revenue will be a similar proportion of gross state product in 2010-11 as it was in 2009-10 and is expected to remain at a similar proportion through the forward estimates period.
- 6.5 The landfill levy increase is the largest in the 2010-11 Budget. This is designed to decrease the amount of waste going to landfill and increase the amount of recycling. The Committee will monitor reporting on the effectiveness of the levy.
- 6.6 The Government expects to receive \$22.9 billion in grants in 2010-11, 3.5 per cent more than 2009-10. There have been significant changes to grant money as a result of an increase in the proportion of GST money apportioned to Victoria and a reduction in money flowing from the *Nation Building — Economic Stimulus Plan*.
- 6.7 From 2011-12, a portion of money from the general purpose grants will be used to fund health and hospital services under the new *National Health and Hospital Network Agreement*. The amount is still yet to be finalised.

### 6.1 Introduction

The Government anticipates receiving a total revenue of \$45.8 billion in 2010-11. This is an increase of 4.6 per cent on the revised estimate for 2009-10. As discussed in broad terms in Chapter 2 (Section 2.3.1), and in more detail below, this growth is largely the result of Victoria's improving economic conditions and a review of the apportionment of GST revenue. The 4.6 per cent growth in revenue can be compared to an expected 3.3 per cent growth in the gross state product (GSP).<sup>1</sup>

In its *Report on the 2009-10 Budget Estimates — Part Two*, the Committee made four suggestions for supplementing the presentation of revenue data in the budget papers.<sup>2</sup> The Committee was pleased to see that two of these — a pie chart showing the composition of revenue and the actual

1 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.19

2 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates — Part Two*, October 2009, recommendation 13, p.96

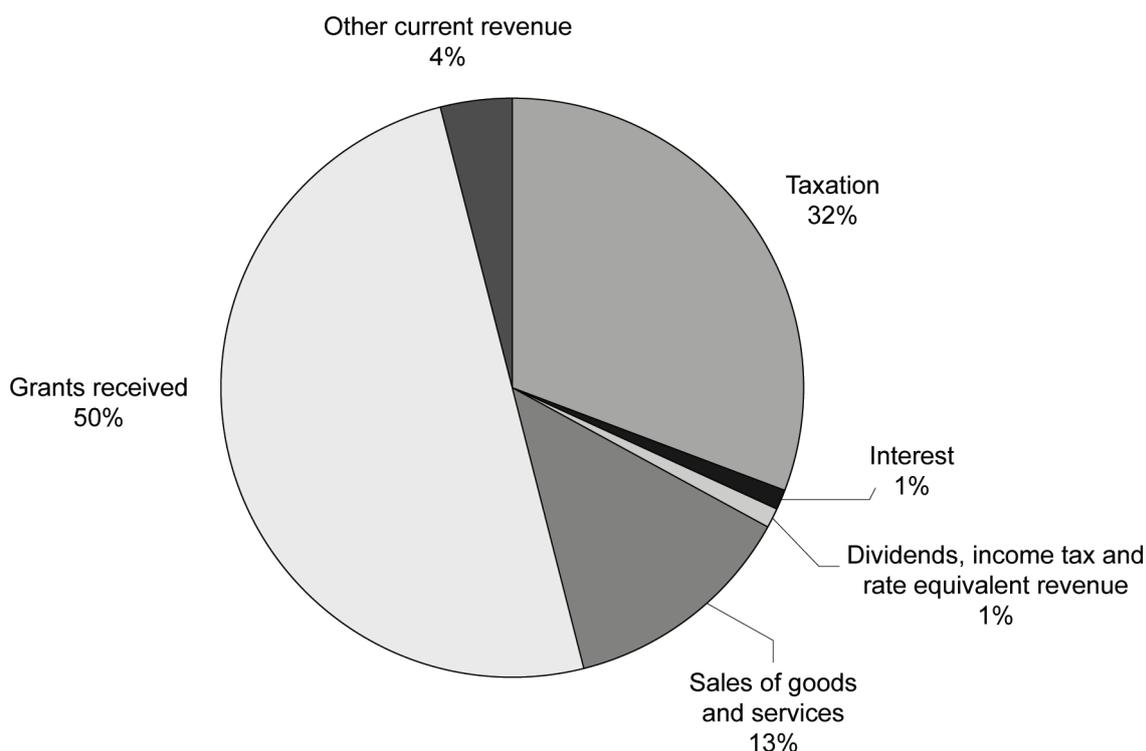
revenue raisings for the most recent completed year — were included in the 2010-11 budget papers.

The Committee has made further specific recommendations for improvement in this chapter.

## 6.2 The major components of the general government sector’s revenue estimates

Figure 6.1 shows a break-down of the different revenue sources for the Victorian general government sector in 2010-11.

**Figure 6.1: Composition of estimated general government sector revenue for 2010-11**



Source: Budget Paper No.4, 2010-11 Statement of Finances, p.205

As can be seen from Figure 6.1, the main sources of revenue in 2010-11 are: grants, primarily from the Commonwealth (50 per cent); taxation (32 per cent); and sales of goods and services (13 per cent). These proportions are very similar to previous budgets, and the proportions are expected to remain similar through the forward estimates period, as can be seen in Table 6.1.

**Table 6.1: Proportions of components of estimated general government sector revenue 2008-09 to 2013-14**

	2008-09 (actual)	2009-10 (revised estimate)	2010-11 (budget)	2011-12 (estimate)	2012-13 (estimate)	2013-14 (estimate)
	(%)	(%)	(%)	(%)	(%)	(%)
Taxation	32.1	31.2	31.6	32.0	31.8	32.7
Interest	1.0	0.8	0.8	1.3	1.7	1.7
Dividends, income tax and rate equivalent revenue	1.2	1.0	1.1	1.1	1.0	1.5
Sales of goods and services	12.6	12.4	12.8	13.5	13.3	13.1
Grants received	48.3	50.5	50.0	48.4	48.8	47.7
Other current revenue	4.8	4.0	3.8	3.7	3.2	3.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: *Budget Paper No.4, 2010-11 Statement of Finances, pp.10, 203*

Though the general proportions are expected to remain similar for the three largest sources of revenue, there is some change among the smaller items and between components of some of the major sources. These variations are discussed further in Section 6.3.

Overall, the amount of revenue at the Government's disposal has been steadily growing and is expected to continue to grow through the forward estimates period (see Table 6.2). However, the Committee notes that the amount of revenue remains a similar proportion of the GSP through the forward estimates period.

**Table 6.2: Total general government sector revenue 2008-09 to 2013-14 compared to gross state product**

	2008-09 (actual)	2009-10 (revised estimate)	2010-11 (budget)	2011-12 (estimate)	2012-13 (estimate)	2013-14 (estimate)
	(\$ million)	(\$ million)	(\$ million)	(\$ million)	(\$ million)	(\$ million)
Total revenue <sup>(a)</sup>	39,284.8	43,745.5	45,759.3	46,565.5	49,169.1	50,400.1
Gross state product (GSP) <sup>(b)</sup>	283,784.0	290,169.1	299,599.6	308,587.6	317,845.3	327,380.6
<b>Revenue as a proportion of GSP (%)</b>	<b>13.8</b>	<b>15.1</b>	<b>15.3</b>	<b>15.1</b>	<b>15.5</b>	<b>15.4</b>

Sources:

(a) *Budget Paper No.4, 2010-11 Statement of Finances, pp.10, 203*

(b) *Calculated based on the Australian Bureau of Statistics 'Australian National Accounts: State Accounts 2008-09 (re-issue) (Cat. no. 5220.0)' figure for 2008-09 with adjustments to future years based on assumptions used by the Department of Treasury and Finance (Budget Paper No.4, 2010-11 Statement of Finances, p.17)*

### 6.3 Major variations in revenue items

Table 6.3 provides a more detailed break-down of the sources of revenue for 2010-11 and compares the situation to 2009-10.

**Table 6.3: Sources of general government sector revenue for 2010-11, compared to 2009-10**

Source	2009-10 revised estimate (\$ million)	2010-11 Budget (\$ million)	Variation from 2009-10 to 2010-11 (\$ million)	Change from 2009-10 to 2010-11 (%)
<i>Taxation</i>				
Taxes on employers' payroll and labour force	4,022.9	4,258.5	235.6	5.9
Land tax	1,218.6	1,362.4	143.8	11.8
Land transfer duty	3,498.0	3,672.4	174.4	5.0
Other taxes on property	262.9	296.2	33.3	12.7
Gambling taxes	1,655.9	1,722.7	66.8	4.0
Insurance duties and contributions	1,400.9	1,478.1	77.2	5.5
Other taxes on the provision of goods and services	73.7	73.7	0.0	0.0
Motor vehicle taxes	1,407.3	1,448.8	41.5	2.9
Other taxes	102.0	125.0	23.0	22.5
<b>Sub-total (taxation)</b>	<b>13,642.1</b>	<b>14,437.8</b>	<b>795.7</b>	<b>5.8</b>
<b>Interest</b>	<b>348.5</b>	<b>358.0</b>	<b>9.5</b>	<b>2.7</b>
<b>Dividends, income tax and rate equivalent revenue</b>	<b>459.2</b>	<b>504.9</b>	<b>45.7</b>	<b>10.0</b>
<i>Sales of goods and services</i>				
Inter-sector capital asset charge	n/a	1,183.6	-	-
Provision of services	n/a	4,004.9	-	-
Other sales of goods and services	n/a	658.8	-	-
<b>Sub-total (sales of goods and services)</b>	<b>5,427.9</b>	<b>5,847.3</b>	<b>419.4</b>	<b>7.7</b>
<i>Grants received</i>				
GST grants	10,145.0	11,142.7	997.7	9.8
Specific purpose grants for on-passing	2,862.3	2,768.2	-94.1	-3.3
Grants for specific purposes	8,979.9	8,868.6	-111.3	-1.2
Other contributions and grants	124.1	113.7	-10.4	-8.4
<b>Sub-total (grants received)</b>	<b>22,111.3</b>	<b>22,893.2</b>	<b>781.9</b>	<b>3.5</b>
<b>Fines</b>	<b>509.4</b>	<b>559.4</b>	<b>50.0</b>	<b>9.8</b>
<b>Other current revenue</b>	<b>1,247.2</b>	<b>1,158.7</b>	<b>-88.5</b>	<b>-7.1</b>
<b>Total</b>	<b>43,745.5</b>	<b>45,759.3</b>	<b>2,013.8</b>	<b>4.6</b>

Source: Budget Paper No.4, 2010-11 Statement of Finances, pp.203–17

Almost half of the \$2.0 billion growth in revenue in 2010-11 was from the \$997.7 million increase in general-purpose GST grants expected from the Commonwealth, following the Commonwealth Grants Commission 2010 review. This was, however, partly offset by a \$205.4 million reduction in Commonwealth specific-purpose grants. These are discussed further in Section 6.3.2 below.

The other major sources of increased revenue are expected to be:

- sales of goods and services (an increase of \$419.5 million);
- taxes on employers' payroll and labour force (an increase of \$235.6 million);
- land transfer duty (an increase of \$174.4 million) and land tax (an increase of \$143.8 million);
- taxes on insurance, primarily non-life insurance (an increase of \$77.2 million); and
- gambling taxes (an increase of \$66.8 million).

As was noted in Chapter 2 (Section 2.3.1), the budget papers list a number of factors contributing to the growth in sales of goods and services,<sup>3</sup> but do not quantify the changes to these areas. As \$419.5 million is a significant source of revenue, the Committee considers that it would be appropriate for the Government to provide such details in future budget papers. This is also the only category of revenue in which components are not compared to figures for the previous two years.

**Recommendation 16: In future budget papers, for all revenue categories, the Department of Treasury and Finance:**

- (a) explain significant variations from the revised estimates for the previous year; and
- (b) provide full comparisons with the previous two years' expected and actual outcomes.

The increases in revenue from payroll tax, land transfer duty, land tax and non-life insurance taxes are due to changes in economic conditions, rather than changes in tax rates. In fact, payroll tax was reduced in 2010-11, from 4.95 to 4.90 per cent. The expected levels of revenue for 2010-11 are a result of increasing levels of employment, hours worked and wages, Victoria's strong property market, increasing land values and growth of the economy.<sup>4</sup>

In the case of gaming taxes, the increase is partly attributable to growth in the economy, but also partly the result of an increase in the tax rate on Crown Casino's gaming machines.<sup>5</sup> Together, these factors are expected to increase revenue from the casino by 11 per cent.<sup>6</sup>

In terms of reduced amounts of revenue in 2010-11, apart from the reduced Commonwealth grants discussed below, the only areas with significant decline were 'fair value of assets received free of charge or for nominal consideration' and 'donations and gifts' (both included, along with other revenue sources, in 'other current revenue' in Table 6.4). These are expected to decline by

3 Budget Paper No.4, *2010-11 Statement of Finances*, p.215

4 *ibid.*, pp.207-12

5 *ibid.*, p.211

6 *ibid.*, p.206

\$108.6 million and \$37.5 million respectively. The budget papers explain that, ‘*The decline in revenue from fair value of assets received free of charge or for nominal consideration represents one off transactions such as transfers of land, which are lower in aggregate in 2010-11 than the 2009-10 revised estimate.*’<sup>7</sup> No explanation is offered for the reduced revenue for gifts and donations.

In addition to the changes in revenue sources described above, there were some smaller sources of revenue where there were significant changes in the amount of revenue coming from that source between 2009-10 and 2010-11. The most significant of these were:

- the landfill levy and liquor licensing fees (both in ‘other taxes’ in Table 6.4), which are expected to increase by 48 per cent and 11 per cent respectively;
- the financial accommodation levy (included in ‘other taxes on property’ in Table 6.4), with an anticipated 51 per cent growth;
- dividends, income tax and rate equivalent revenue, expected to be 10.0 per cent higher; and
- fines, predicted to provide 9.8 per cent more revenue.

The landfill levy and liquor licensing fees are discussed further in Section 6.3.1 below. These increases are due to revenue policy changes.

The amount of revenue from fines is expected to increase due to an expansion of road safety initiatives and an increase in sanctions since the 2009-10 Budget.<sup>8</sup>

The other changes are primarily the result of external factors rather than Government policy. The financial accommodation levy, which is designed to remove government entities’ competitive advantage in borrowing money, is expected to increase due to increased borrowing, especially by water corporations.<sup>9</sup> Dividends, income tax and rate equivalent revenue are expected to increase largely as a result of the improved economy.<sup>10</sup>

The Committee was pleased to note that these major variations were explained in the budget papers.

### **6.3.1 Revenue policy changes in the 2010-11 Budget**

The budget papers provide details of six revenue policy changes for 2010-11. Three increased the amount of revenue and three reduced it. The result of these changes is a net increase of \$0.7 million of revenue in 2010-11 compared to the revised estimates for 2009-10, but a total increase of \$66.9 million over the four years to 2013-14.<sup>11</sup>

The changes for 2010-11 are:<sup>12</sup>

- a reduction in the payroll tax rate;

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7      ibid., p.216

8      ibid.

9      ibid., p.211

10     ibid., p.215

11     Budget Paper No.3, *2010-11 Service Delivery*, pp.360–1

12     ibid.

- an increased landfill levy;
- a restructuring of liquor licensing fees;
- an increase in the metropolitan improvement levy;
- an extension of the land tax exemption for retirement villages and other residential care facilities; and
- a modification of the motor vehicle duty threshold to harmonise State and Commonwealth laws.

The Committee notes that three changes involved increases to the rates of existing revenue streams. These are discussed below.

The three tax expenditures are discussed further in Section 7.3 in Chapter 7.

### ***The landfill levy***

The landfill levy increased by \$23.4 million to \$68.5 million due to an increase in the levy rate, making the 2010-11 figure 48 per cent higher than the 2009-10 revised estimate. This will be followed by additional increases, so that in 2013-14 it is expected to raise an additional \$56.0 million.<sup>13</sup> At the budget estimates hearing, the Minister for Environment and Climate Change explained that:<sup>14</sup>

*... increasing landfill levies will play a significant role in, no. 1, providing an incentive for households and businesses to reduce the amount of material that may go into landfill in the first instance, but more importantly, using the revenues that have been derived from the increased levy to reinvest in productive capability.*

*What we have determined to do is to lift the landfill levy significantly in this financial year and in the next financial year and then to use those revenues in that way. Whilst we have recognised that this be an impost on business and households, we have tried to maintain a reasonable level so that in fact it is not onerous for households. If you actually apportion what is the average waste of a household that goes into landfill during the course of the year, the increase equates to about \$9 in the metropolitan area and about \$3 in rural parts of Victoria.*

At the second reading speech, it was explained that the intention of the levy was to ‘*make recycling more competitive and provide an incentive for investment in new recycling technologies and facilities.*’<sup>15</sup> The expected results of the initiative include a reduction in the amount of waste going to landfill by 1.2 million tonnes by 2014-15 and the creation of 700 new jobs over the next five years.<sup>16</sup>

13 Budget Paper No.3, *2010-11 Service Delivery*, p.360; Budget Paper No.4, *2010-11 Statement of Finances*, pp.206, 214

14 Mr G. Jennings MLC, Minister for Environment and Climate Change, 2009-10 budget estimates hearing, transcript of evidence, 13 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, pp.P9–10)

15 Hon. P. Batchelor, *Victorian Parliamentary Debates*, Legislative Assembly, 25 March 2010, p.1125

16 *ibid.*

The Minister at the budget estimates hearing further explained that there are restrictions in terms of how the revenue raised through the levy is used. The money is divided between:<sup>17</sup>

- a set amount (\$5.5 million in 2010-11) to support waste management groups;
- one portion of the remainder to Sustainability Victoria to allocate money through the *Sustainability Fund* for programs primarily providing incentives and advice to communities to participate in waste and resource recovery;
- a further portion to be distributed through the *Sustainability Fund* in community and business grants to support sustainable outcomes and programs such as *Climate Communities*; and
- a portion to the Environment Protection Authority to ensure compliance, to monitor dumping and to enforce appropriate landfill behaviour.

The increase to the landfill levy is the largest revenue policy change in the 2010-11 Budget. It also seeks to achieve goals that are important to the State. Therefore the Committee considers it important that the Government report on the success of this program relative to its goals. This reporting should include both estimates of the effect of the landfill levy on reducing waste going to landfill and an assessment of the benefit gained from the programs funded by the levy.

The Committee notes that, with this particular initiative, the funding is spread over multiple agencies and programs. However, as Sustainability Victoria is the major beneficiary of this revenue, and revenue from this source constitutes a significant portion of Sustainability Victoria's income, the Committee considers that Sustainability Victoria would be the appropriate organisation to coordinate and report on this information. The Committee notes that Sustainability Victoria already provides data on waste generation and recycling rates in its annual reports.<sup>18</sup>

**Recommendation 17: Sustainability Victoria report on the effects of the landfill levy in future annual reports, including:**

- (a) **demonstrable effects of the levy on reducing the amount of waste going to landfill; and**
- (b) **the effectiveness of the programs funded through the landfill levy.**

**In reporting on these matters, Sustainability Victoria should include data from programs that it administers and programs administered by other agencies.**

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17 Mr G. Jennings MLC, Minister for Environment and Climate Change, 2009-10 budget estimates hearing, transcript of evidence, 13 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates – Part One*, p.P13)

18 Sustainability Victoria, *Annual Report 08-09*, p.15

## Liquor licensing fees

Changes to liquor licensing fees were announced in the *2009-10 Budget Update*. These fees will increase liquor licensing fees by \$15.6 million in 2010-11 and \$15.2 million in each of the out years. The fees have been restructured so that venues considered to have a greater risk of harm to the community pay higher fees. Fees now range from \$397 to \$30,000. The revenue raised will be used to cover the costs of liquor license inspection, policing and enforcement.<sup>19</sup>

At the budget estimates hearing with the Minister for Consumer Affairs, the Committee enquired as to why the target for the number of inspections was lower in 2010-11 than 2009-10, despite the increase in the revenue. The Minister explained that the costs of inspections were higher than had previously been recognised and that the number of inspections and the costs are not always proportionate, as some inspections can require more work than others. The Minister explained that there had been a change in the focus of inspections from 2009-10 to 2010-11, with 2010-11 involving fewer but more targeted inspections.<sup>20</sup> In response to a question on notice, the Minister further explained:<sup>21</sup>

*When the Compliance Directorate commenced operations in July 2009, its immediate priority was to embark on an industry-wide inspection program to educate licensees about the importance of complying with their obligations under Victoria's liquor laws. The second phase of compliance activity, to be undertaken from 2010-11, will be a targeted approach focusing on licensed premises associated with the most risk of alcohol-related harm. This approach will maximise the effectiveness of the Compliance Directorate and create awareness that these venues can expect multiple in-depth inspections and follow-up compliance activity.*

Given that liquor licensing fees have been raised and inspections modified specifically in order to reduce particular harms, the Committee considers that it is important for this approach to be considered in the light of measures of the incidence of these harms. This will provide a basis for assessing the effectiveness of these as strategies and to ensure that the risk factors being used to determine the fee structure are appropriate. The Committee notes that measures of these harms are included in *Victoria's Alcohol Action Plan* (which includes the action of introducing a risk-based fee structure for liquor licences).<sup>22</sup> The Committee expects to see a review of liquor licensing fees when the data being captured for *Victoria's Alcohol Action Plan* are available.

19 *2009-10 Budget Update*, pp.156-7; Budget Paper No.3, *2010-11 Service Delivery*, p.360; Mr T. Robinson MP, Minister for Consumer Affairs, 2009-10 budget estimates hearing, transcript of evidence, 20 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Two*, p.G2)

20 Mr T. Robinson MP, Minister for Consumer Affairs, 2009-10 budget estimates hearing, transcript of evidence, 20 May 2010 (Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Two*, p.G3)

21 Mr T. Robinson MP, Minister for Consumer Affairs, response to questions taken on notice, received 1 July 2010, p.2 (see Appendix 2 of this report)

22 Victorian Government, *Victoria's Alcohol Action Plan 2008-13*, May 2008, p.41

## The metropolitan improvement levy

An increase to the metropolitan improvement levy was also announced in the *2009-10 Budget Update*.<sup>23</sup> The increased levy equates to an increase from \$55 to \$62 for 95 per cent of households.<sup>24</sup> The Department of Sustainability and Environment explained that:<sup>25</sup>

*The Improvement Levy funds the development and management of a network of regional parks, garden, trails, waterways, bays and other significant recreation and conservation assets across the greater metropolitan area...*

*Parks Victoria uses most of the funds for maintenance, operation and development of the parks around Melbourne. In addition, some of the funds are distributed to Royal Botanic Gardens (including Cranbourne Botanic Gardens) and Zoos Victoria (managing Melbourne Zoo, Victoria's Open Range Zoo at Werribee and Healesville Sanctuary).*

The Committee notes that the Department has a number of performance measures established to assess and report on its use of funds in these areas.

### 6.3.2 Commonwealth grants

Grants are expected to total \$22.9 billion in 2010-11, which is just over 50 per cent of the total revenue for the State. This is 3.5 per cent higher than the revised estimate for 2009-10, compared to a growth of 4.6 per cent overall for revenue.

As can be seen in Table 6.4, there has been some shift in the make-up of the grants, with general purpose grants (money from the GST) increasing and specific-purpose grants reducing. This change is largely a result of two factors:

- a review of the methodology used to apportion GST money; and
- a reduction in money coming through the *Nation Building — Economic Stimulus Plan* (partly offset by increases in other specific-purpose grants).

**Table 6.4: Grants in 2009-10 and 2010-11**

	2009-10 revised estimate (\$ million)	2010-11 Budget (\$ million)	Change (%)
General purpose grants	10,145.0	11,142.7	9.8
Specific purpose grants for on-passing	2,862.3	2,768.2	-3.3
Grants for specific purposes	8,979.9	8,868.6	-1.2
Other contributions and grants	124.1	113.7	-8.4
<b>Total grants received</b>	<b>22,111.3</b>	<b>22,893.1</b>	<b>3.5</b>

Source: *Budget Paper No.4, 2010-11 Statement of Finances, p.217*

23 *2009-10 Budget Update*, pp.156–7; *Budget Paper No.3, 2010-11 Service Delivery*, pp.360–1

24 Department of Sustainability and Environment, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part A, received 5 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.288)

25 *ibid.*

The forward estimates published in the budget papers indicate that this trend will continue, with the amount of money coming through general purpose grants increasing and the amount coming through specific-purpose grants decreasing.<sup>26</sup> However, as noted in the budget papers, from 2011-12 a portion of the money from general purpose grants will be used to fund health and hospital services under the new *National Health and Hospital Network Agreement*. The Commonwealth Government has provided indicative estimates that this will consist of \$2.9 billion in 2011-12, growing to \$3.4 billion in 2013-14.<sup>27</sup> However, the exact amount will be determined annually between 2011-12 and 2013-14, fixed in 2014-15 and then indexed at the rate of overall GST growth.<sup>28</sup>

At the budget estimates hearings, the Treasurer advised that the method of reporting this funding will be addressed in future budgets.<sup>29</sup> The Committee expects to examine this disclosure in the 2011-12 budget papers to ensure that it is clear and informative.

### ***The Commonwealth Grants Commission 2010 review***

Money raised through the GST is distributed to the states according to the principle of ‘horizontal fiscal equalisation’, which means that money is transferred:<sup>30</sup>

*... so that all States have the capacity to provide services at a comparable standard, while ensuring that the interstate transfers are not so large that they would significantly distort economic behaviour and reduce productivity growth.*

To achieve this, funds are distributed in proportion to the population of each state multiplied by relativities which increase or decrease the amount of money per capita. The relativities are based on:<sup>31</sup>

- the state’s capacity to raise revenue from its own sources; and
- the state’s cost to deliver services to the same standard.

The Commonwealth Grants Commission released a review of the methodology it uses to determine the relativities in February 2010, with revised relativities to apply from 2010-11. Changes introduced in the review included a reduction in the number of categories assessed to calculate the relativities and a new approach to assessing infrastructure spending.<sup>32</sup>

As a result of the review, the relativity for Victoria was adjusted from the 2009-10 rate of 0.91875 to 0.93995 in 2010-11. This change, combined with population changes, means that Victoria’s share of the GST pool has increased from 22.8 per cent to 23.4 per cent in 2010-11. However, the Victorian Government has also noted concerns about the new methodology, especially that it will mean that Commonwealth funding for the *Regional Rail Link* project will be offset by reduced general purpose grants (money from the GST).<sup>33</sup> The Commonwealth Grants Commission

26 Budget Paper No.4, *2010-11 Statement of Finances*, p.50

27 Commonwealth Government, Budget Paper No.3, *Australia’s Federal Relations 2010-11*, p.120

28 *ibid.*, pp.111–13

29 Mr J. Lenders MLC, Treasurer, 2009-10 budget estimates hearing, transcript of evidence, 11 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.U15)

30 Commonwealth Government, Budget Paper No.3, *Australia’s Federal Relations 2010-11*, p.117

31 *ibid.*, pp.6, 117

32 *ibid.*, pp.117–18

33 Budget Paper No.2, *2010-11 Strategy and Outlook*, pp.79–80

estimated that the effect of the major changes in methods (excluding the shorter review period also introduced in 2010) will mean a loss to Victoria in 2010-11 of \$35.3 million.<sup>34</sup>

### ***Nation Building — Economic Stimulus Plan***

There was a significant reduction in revenue derived from the Commonwealth through the *Nation Building — Economic Stimulus Plan* in 2010-11. That program provided just under \$2.0 billion in 2010-11, \$833.5 million (29 per cent) less than the 2009-10 revised estimate. This is in line with the expected pattern of spending in the plan, which was intended to peak in 2009-10 and reduce sharply in 2010-11 and 2011-12.<sup>35</sup>

The reduction in revenue from this program is partly offset by increases in other specific-purpose grants, most notably in transport infrastructure projects through the *Nation Building Program* (which includes projects formerly under the Auslink II) and the *Regional Rail Link* project. Together these account for \$876.0 million, \$401.1 million more than was provided through these programs in 2009-10.<sup>36</sup>

## **6.4 The competitiveness of Victoria's taxation system**

Victoria is expected to raise \$14.4 billion from taxation in 2010-11. According to the budget papers, this equates to approximately 4.5 per cent of GSP.<sup>37</sup> However, the Committee's calculations indicate that it may be closer to 4.8 per cent. The Committee's figures are based on a GSP for 2010-11 of \$299.6 billion, which is derived from the Australian Bureau of Statistics' figure for 2008-09 (chain volume measures)<sup>38</sup> with adjustments according to the Department of Treasury and Finance's assumptions in the budget papers.<sup>39</sup>

The Committee notes that the Department of Treasury and Finance does not include the actual GSP figure that it uses to make various calculations, nor how this figure is derived, other than citing the Australian Bureau of Statistics as the source. To enable proper scrutiny of figures in future budget papers, this information should be provided.

**Recommendation 18: In future budget papers, the Department of Treasury and Finance list the figures it estimates for gross state product and provide precise details of where these have been derived from.**

According to the Department's calculations, Victoria's taxation revenue as a proportion of GSP is one of the highest in Australia. However, when royalty revenue is also factored in, Victorian revenue rates are much more competitive, as royalties provide a much larger revenue source in many other states than in Victoria.<sup>40</sup> At the budget estimates hearing, the Treasurer explained that the relatively high ratio of taxation as a proportion of GSP compared to other states was partly a

34 Commonwealth Grants Commission, *Report on GST Revenue Sharing Relativities — 2010 Review*, Vol. 1, p.121

35 Department of Prime Minister and Cabinet, *Commonwealth Coordinator-General's Progress Report, 3 February 2009 — 30 June 2009*, August 2009, pp.30-1

36 Budget Paper No.4, *2010-11 Statement of Finances*, pp.220-1

37 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.13

38 Cat. no. 5220.0 2008-09 (re-issue)

39 Budget Paper No.4, *2010-11 Statement of Finances*, p.17

40 Budget Paper No.2, *2010-11 Strategy and Outlook*, pp.13-14

result of revenue areas (most notably the housing market and employment) being much stronger in Victoria than other states during the Global Financial Crisis.<sup>41</sup>

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41 Mr J. Lenders MLC, Treasurer, 2009-10 budget estimates hearing, transcript of evidence, 11 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, pp.U32–3)



## CHAPTER 7: REVENUE FOREGONE / TAX EXPENDITURES, CONCESSIONS AND SUBSIDIES

### Key findings of the Committee:

- 7.1 In this chapter, the Committee defines tax expenditures as tax concessions which include tax-free thresholds and can also take the form of exempting or applying lower rates, deductions or rebates of taxes for certain classes of taxpayer, activity or asset. The estimated tax expenditures for 2010-11 that can be costed (including thresholds) amount to \$5.5 billion. The largest components relate to land tax exemptions (estimated at \$2.2 billion or 41 per cent) and payroll tax exemptions (estimated at \$2.8 billion or 52 per cent).
- 7.2 In relation to 2010-11, the ratio of estimated tax expenditures (including thresholds) to estimated tax revenue stood at 38 per cent (an estimated aggregate tax expenditure of \$5.5 billion compared to total taxation revenue of \$14.4 billion). This is the same as in 2009-10. However, tax expenditures for the second largest category, namely land tax exemptions, exceeded the estimated revenue resulting in a ratio of 1.6:1 for this taxation item (i.e. land tax expenditure of \$2.3 billion compared to revenue of \$1.4 billion).
- 7.3 Concessions are defined in this chapter as direct budget outlays or reductions in government charges that have the effect of reducing the price of a good or service for particular groups of users or beneficiaries. The Budget for 2010-11 contains concessions amounting to \$1.284 billion (compared to \$1.261 billion in 2009-10), directly assisting more than 700,000 households or more than 1.3 million Victorians.
- 7.4 The health sector continues to be the largest provider of concessions to the Victorian community, with an estimated value of \$588 million to be granted in 2010-11 (46 per cent of the value of major concessions), compared to \$564 million in 2009-10 (45 per cent of major concessions) with free ambulance transport comprising 56 per cent of total health concessions.
- 7.5 The Committee noted that one of the areas where existing concessions had been extended in the 2010-11 Budget related to the provision of water and sewerage. The 2010-11 Budget provides \$52.0 million over four years to enable the concessional amount to be increased from \$216.60 to \$245.00 per household. It also includes \$4.1 million over two years to continue the *Water Wise* program and to extend the service to eligible households who rely on non-mains water.
- 7.6 As part of the 2010-11 Budget, the Victorian Government announced the extension of the *First Home Bonus* (costing \$154 million in total) for 12 months with a re-targeted focus on newly constructed homes, especially in regional Victoria, to promote supply and affordability.

## 7.1 Introduction

The Government, through its agencies, provides eligible people with a variety of concessions in the form of tax expenditures, rebates and subsidies. This inquiry continues the Committee's past practice of analysing the Budget with regard to the revenue foregone through the granting of tax and other concessions and the provision of subsidies.

Concessions and subsidies are an important income support to different sectors of the community. They have a significant role in assisting the most disadvantaged in the community to afford services.

The development of concessions and hardship programs help meet the goals of *Growing Victoria Together* (the Government's framework for priority setting), and the goals of *A Fairer Victoria* (the Government's social policy statement).

*Growing Victoria Together* includes goals relating to the accessibility of health services, the efficient use of natural resources, and a fairer society that reduces disadvantage. State concessions and hardship programs contribute to these goals by providing concession cardholders with discounts on a broad range of services including housing, utility bills, public and private transport, education and primary health care.

The concessions and hardship-related actions outlined in *A Fairer Victoria* support the existing range of concessions and hardship programs available to low-income earners by both ensuring that the value of concessions is maintained over time and that concession cardholders who find themselves in hardship are able to access assistance.

### 7.1.1 Performance audit by the Auditor-General

The Committee notes that the Auditor-General recently conducted a performance audit on the *Management of Concessions by the Department of Human Services*.<sup>1</sup> The audit examined the Department of Human Services' performance in administering concessions, in terms of its forward planning and advice to the Government on the concession system, the adequacy of its controls to assure the financial regularity of the concession system, and reporting on the concession system.

The report found that in the future the State concessions budget will come under pressure due to increasing numbers of people eligible for concessions and rising prices for relevant services. There was also a need for the Department of Human Service to improve its monitoring of external organisations providing concessions, strengthen controls over the granting of concessions and hardship assistance and improve its reporting of the effectiveness of the concession program.<sup>2</sup>

The report made 10 recommendations aimed at improving how the Department of Human Services monitors, controls, evaluates and reports on the concessions system. The Committee suggests that other departments may benefit from looking at these findings to see whether any improvements could be made to their practices.

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1 Victorian Auditor-General's Office, *Management of Concessions by the Department of Human Services*, February 2010, p.vii

2 Victorian Auditor-General's Office, 'Management of Concessions by the Department of Human Services', <[www.audit.vic.gov.au/reports\\_publications/reports\\_by\\_year/2009-10/20102402\\_concessions.aspx](http://www.audit.vic.gov.au/reports_publications/reports_by_year/2009-10/20102402_concessions.aspx)>, accessed 21 June 2010

## 7.2 Past coverage by the Committee

In its October 2009 *Report on the 2009-10 Budget Estimates — Part Two*, the Committee made three recommendations relating to tax expenditures, concession and subsidies. The Committee recommended that:<sup>3</sup>

- the Department of Treasury and Finance advise the Committee of the results of its study into presenting a finer breakdown of tax expenditures and concessions in the Budget Papers;
- the Department of Human Services accelerate the completion date for its annual report on concessions and hardship programs which should occur as soon as possible in the following year; and
- the Department of Treasury and Finance conduct research to assess the socio-economic impacts that the first home bonus incentives have had in terms of their stimulative and distributive effects on the economy, particularly with regard to securing existing jobs or creating new jobs and areas of growth.

The Committee is pleased to see that the Department of Treasury and Finance included a more detailed breakdown of concession categories in 2010-11 and is continuing to examine the feasibility of showing the number of recipients of tax expenditures and tax concessions.<sup>4</sup> The 2010-11 Budget provides a more detailed breakdown of each major category, with an increase in the number of categories from five in the 2009-10 Budget to 12. Health concession recipients are reported by the Department of Human Services' annual report on concessions and hardships programs.<sup>5</sup>

The Government stated in its response to the Committee's recommendation that the Department of Human Services planned to complete its 2008-09 annual report on concessions and hardship programs by March 2010 and to ensure that all future reports would be completed six months after the end of the financial year covered by the report.<sup>6</sup>

The Committee noted that the 2008-09 annual report on concessions and hardship programs had not been completed by August 2010. The Committee maintains its recommendation that the Department of Human Services accelerate the completion date for its annual report on concessions and hardship programs.

The Committee also notes and supports the Victorian Auditor-General's Office's recommendations that:<sup>7</sup>

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3 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates — Part Two*, October 2009, recommendations 14–16, pp.109, 113, 117

4 Victorian Government, Government Responses to the Recommendations of the Public Accounts and Estimates Committee's 88<sup>th</sup> Report on the 2009-10 Budget Estimates — Part Two, tabled 14 April 2010, pp.11–12 (see Appendix 3)

5 Department of Human Services, *State concessions and hardship programs, 2007-08*, August 2009, pp.15–17

6 Victorian Government, Government Responses to the Recommendations of the Public Accounts and Estimates Committee's 88<sup>th</sup> Report on the 2009-10 Budget Estimates — Part Two, tabled 14 April 2010, p.12 (see Appendix 3)

7 Victorian Auditor-General's Office, *Management of Concessions by the Department of Human Services*, February 2010, p.35

- *the Department of Human Services should include sufficient information and analysis in the annual report on the State concessions system to allow meaningful conclusions about the performance of concessions against government objectives; and*
- *the annual report on the state concessions system should be published within six months of the end of the financial year.*

### **7.3 Tax expenditures**

The budget papers define tax expenditures as:<sup>8</sup>

*Tax concessions granted to certain taxpayers, activities or assets which are a deviation from the normal taxation treatment. They include tax free thresholds and can also take the form of exempting or applying a lower rate, deductions or rebates of a tax for a certain class of taxpayer, activity or asset (this generally excludes applying marginal tax rates).*

A summary of estimated tax expenditures for 2010-11 for the main categories of tax that can be costed (including thresholds), compared to the estimate for the prior year is shown in Table 7.1. Tax concessions expected to be granted over the forward estimates period have been averaged over the three-year period.

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<sup>8</sup> Budget Paper No.4, 2010-11 Statement of Finances, p.235

**Table 7.1: Tax expenditures that can be costed (including thresholds) 2009-10 to 2013-14**

Description	2009-10 estimate	2010-11 estimate	2010-11 proportion of total estimated tax expenditures	Average 2011-12 to 2013-14
	(\$ million)	(\$ million)	(%)	(\$ million)
<i>Land tax exemptions</i>				
Principal place of residence	882	989	18.0	1,007
Land used for primary production	249	279	5.1	284
Commonwealth land	174	195	3.6	199
Crown Property (right of Victoria)	191	214	3.9	218
Land vested in a public statutory authority	160	179	3.3	182
Land held in trust for public or municipal purposes or vested in any municipality	139	156	2.8	159
Other	209	234	4.3	239
<b>Sub-total (land tax exemptions)</b>	<b>2,004</b>	<b>2,246</b>	<b>41.0</b>	<b>2,288</b>
<i>Payroll tax exemptions</i>				
Wages paid by public hospitals	252	258	4.7	277
Wages paid by a public benevolent institution/charity	232	238	4.3	255
Wages paid by a non-profit, non-public school	133	137	2.5	147
Employers' payroll below \$550,000	1,956	1,968	35.9	1,955
Other	217	224	4.1	240
<b>Sub-total (payroll tax exemption)</b>	<b>2,790</b>	<b>2,825</b>	<b>51.5</b>	<b>2,874</b>
<b>Congestion levy tax exemptions</b>	<b>32</b>	<b>33</b>	<b>0.6</b>	<b>34</b>
<b>Gambling tax exemptions</b>	<b>75</b>	<b>77</b>	<b>1.4</b>	<b>85</b>
<b>Motor vehicle tax expenditures</b>	<b>82</b>	<b>86</b>	<b>1.6</b>	<b>93</b>
<b>Other duty exemptions<sup>(a)</sup></b>	<b>209</b>	<b>215</b>	<b>3.9</b>	<b>217</b>
<b>Total estimated tax expenditures</b>	<b>5,192</b>	<b>5,482</b>	<b>100.0</b>	<b>5,591</b>

Note: (a) Principally stamp duty on land transfer

Source: Budget Paper No.4, 2010-11 Statement of Finances, pp.236-7

Tax expenditures are expected to increase by \$290 million in 2010-11 with land tax exemptions comprising \$242 million or 83 per cent of this, reflecting the growth in property prices and the economy more generally.

Of an estimated \$5.5 billion in tax expenditures for 2010-11, the Committee noted that the largest components that can be costed (including thresholds) comprised revenue foregone from the granting of:

- land tax exemptions (\$2.2 billion or 41 per cent of total estimated tax expenditures) of which land tax exemptions with individuals' places of residences and land used for primary production comprised 44 per cent of total land tax expenditures; and
- payroll exemptions (\$2.8 billion or 52 per cent of total estimated tax expenditures), mostly in the 'employers' total payroll of below \$550,000' category. A payroll tax rate reduction from 4.95 per cent to 4.90 per cent is also estimated to cost \$44 million in 2010-11 and \$193 million over 4 years.

In addition, the Government expects to provide tax assistance (including thresholds) averaging \$5.6 billion annually over the forward estimates period to 2013-14, a slight increase when compared to the estimate of \$5.5 billion in 2010-2011.

The Committee also observed that the 2010-11 ratio of estimated tax expenditures (including thresholds) to estimated tax revenue is estimated at 38 per cent (an estimated aggregate tax expenditure of \$5.5 billion compared to a total taxation revenue of \$14.4 billion). This is the same ratio as in 2009-10. However, tax expenditures for the second largest category, namely land tax exemptions, are expected to exceed the estimated revenue resulting in a ratio of 1.6:1 for this taxation item (i.e. a land tax expenditure of \$2.3 billion compared to revenue of \$1.4 billion).

The Committee welcomes the Government's decision to:

- extend until 28 February 2011 the bushfire relief measures announced in 2009-10 relating to search and registration fees and charges for title and plan searches, amending land titles, the replacement of certificates of title and registration of mortgages;<sup>9</sup> and
- extend land tax exemption for retirement villages, residential care facilities, supported residential services and residential services for people with disabilities to include the construction phase of these facilities (for a maximum construction period of two years). The \$28 million exemption over the next four years will reduce the cost of developing these facilities and help improve the accessibility and affordability of suitable care and accommodation for Victoria's seniors and Victorians with a disability.<sup>10</sup>

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9 Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.288

10 Budget Paper No.3, *2010-11 Service Delivery*, p.20

## 7.4 Concessions (including subsidies) contained in the Budget

Concessions are a direct budget outlay or a reduction in the price of a good or service for particular groups of users and beneficiaries.<sup>11</sup>

The objective of concessions is to enable key services to become more affordable for low-income households in Victoria.<sup>12</sup> They help reduce the cost of essential services such as gas, electricity, water, schools, kindergartens, public and private transport, ambulances, dental and other health services for low-income earners.

*The Government pays for concessions through direct funding or foregone revenue at a cost of more than \$1 billion each year. The funding provides concessions to more than 700,000 households or more than \$1.3 million Victorians.*<sup>13</sup>

Table 7.2 discloses a breakdown of concessions estimated to be incurred by category in terms of value and proportion of total concessions. It should be noted that not all subsidies are explicitly detailed in the budget papers as they are sometimes included in the running or program costs. For example, only around half the running costs of public transport are covered by fares paid by commuters.

The Committee noted that the 2010-11 budget papers provided a more detailed break-down of the different categories of concessions, with an increase in the number of categories from five in the 2009-10 Budget to twelve. The three largest categories of concessions (energy, municipal rates, water and sewerage; health; and transport) are broken down into a number of sub-categories; they were not in 2009-10.

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11 Budget Paper No.4, *2010-11 Statement of Finances*, p.239

12 Department of Human Services, *State Concessions: Your entitlements*, February 2009, p.iii

13 Victorian Auditor-General's Office, *Management of Concessions by the Department of Human Services*, February 2010, p.vii

**Table 7.2: Major concessions by category (2008-09 to 2010-11)**

Category	2008-09 estimate (\$ million)	2009-10 estimate (\$ million)	2010-11 estimate (\$ million)	2010-11 proportion of total concessions (%)
<i>Energy, municipal rates, water and sewerage</i>				
Electricity	69	66	68	5.3
Mains gas	43	48	49	3.8
Municipal rate concessions	65	75	76	5.9
Water and sewerage	101	110	113	8.8
<b>Sub-total (Energy, municipal rates, water and sewerage)</b>	<b>278</b>	<b>300</b>	<b>306</b>	<b>23.8</b>
<i>Health</i>				
Ambulance	312	321	330	25.7
Dental and spectacles	117	124	135	10.5
Community health programs	114	119	123	9.6
<b>Sub-total (Health)</b>	<b>543</b>	<b>564</b>	<b>588</b>	<b>45.8</b>
<b>Education</b>	<b>71</b>	<b>76</b>	<b>74</b>	<b>5.8</b>
<b>Hardship assistance</b>	<b>41</b>	<b>51</b>	<b>41</b>	<b>3.2</b>
<b>Social and community services</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>0.5</b>
<b>Private transport</b>	<b>145</b>	<b>148</b>	<b>151</b>	<b>11.8</b>
<b>Public transport</b>	<b>111</b>	<b>116</b>	<b>118</b>	<b>9.2</b>
<b>Total of items estimated</b>	<b>1,197</b>	<b>1,261</b>	<b>1,284</b>	<b>100.0</b>

Source: Budget Paper No.4, 2010-11 Statement of Finances, p.241

The Committee's analysis of estimated concessions showed that:

- the estimated total value of major concessions in 2010-11 is \$1,284 million, up from \$1,161 million in 2009-10 (an increase of 2 per cent);
- the health sector is the largest provider of concessions to the Victorian community, with an estimated value of \$588 million to be granted in 2010-11 (almost 46 per cent of the value of all concessions) with free ambulance transport for certain groups comprising 56 per cent of all health concessions;
- the 'energy, municipal rates, water and sewerage' category is the next largest sector, accounting for 24 per cent of total concessions; and
- the distribution of concessions among the various categories as a proportion of the total concessions has remained similar for the past three years.

The Committee welcomes the Government's announcement that the 2010-11 Budget will provide a total of \$56 million over four years to assist low income earners in meeting the costs of essential services and to support more efficient and sustainable resource consumption.<sup>14</sup> The Budget provides:<sup>15</sup>

- \$52 million over four years to enable the concessional amount to be increased from \$216.60 to \$245.00 per household in 2010-11. This will assist around 645,000 low income households to better meet the costs of water services; and
- \$4.1 million over two years to continue the *Water Wise* program and to extend the service to eligible households who rely on non-mains water. This program provides eligible low-income Victorian households with free water audits and any repairs or replacement of inefficient fittings, to help reduce overall water consumption.

Further information regarding Victorian Government concessions can be found in the Department of Human Services' annual report on concessions and hardship programs. The report provides an updated analysis of the value and distribution of concessions to concession cardholders, current information about the characteristics of the concession cardholding population and the type of barriers to social and economic participation faced by this group.<sup>16</sup>

## 7.5 First home buyer initiatives

As part of the 2010-11 Budget, the Victorian Government announced an extension of the *First Home Bonus* for 12 months with a re-targeted focus on newly constructed homes to promote supply and affordability.<sup>17</sup> At a cost of \$154 million (compared to \$125 million in 2009-10) this is noted as a re-generating stimulus for Victoria's construction industry.<sup>18</sup>

The new bonus builds on the success of the *First Home Bonus* in getting more Victorians into their first home. The success of the Government's *First Home Bonus* is reflected in housing starts in Victoria increasing by 10 per cent in 2009, compared to a 7 per cent fall for Australia overall.<sup>19</sup>

According to the Housing Industry Association:<sup>20</sup>

*The strong response by first home buyers to the new home grant underlines how effective the Victorian stimulus has been in lifting residential building activity.*

14 Department of Human Services, *2010-11 State Budget Fact Sheet, Helping Low Income Victorians with the Cost of Rising Water*, May 2010; Budget Paper No.3, *2010-11 Service Delivery*, pp.9, 314-5

15 *ibid.*

16 Department of Human Services, *State Concessions and Hardship Programs, 2007-08*, August 2009, p.1

17 Budget Paper No.3, *2010-11 Service Delivery*, p.13

18 Hon. J. Brumby, Premier of Victoria, '30,000 New jobs and a growing economy into the future', media release, 4 May 2010; Hon. J. Brumby, Premier of Victoria, 'Victorian First Home Bonus increased for new homes,' media release, 6 May 2009

19 Victorian Budget, *2010-11 Overview: Standing Up for Families — Securing Jobs*, p.18

20 Housing Industry Association, 'Victoria Lifts National Home Sales in April', <[www.hia.com.au/Latest%20News/Article.aspx?CID=&yearmonth=201005&title=May 2010&AID={51E5073B-263E-4AD2-B43F-995A1D6C1F9A}](http://www.hia.com.au/Latest%20News/Article.aspx?CID=&yearmonth=201005&title=May%202010&AID={51E5073B-263E-4AD2-B43F-995A1D6C1F9A})>, accessed 29 July 2010

Data from the Building Commission show that the value of regional building approvals increased to \$4.9 billion in 2009, up from \$4.1 billion in 2008.<sup>21</sup> This strong growth in building is partly driven by the impact of the Government's targeted *First Home Bonus* in regional Victoria. More than 5,000 bonuses were paid in regional Victoria in the 12 months to March 2010, which has resulted in more than a quarter of all newly constructed homes in Victoria for first home buyers being built in regional areas.<sup>22</sup>

The 2010-11 Budget re-targets the *First Home Bonus* to provide for an increase of \$2,000 for each applicant for newly constructed homes up to the value of \$600,000, resulting in total first home assistance for first home buyers purchasing or building a new home in metropolitan Melbourne of \$20,000 and \$26,500 in regional Victoria. Victoria now has the largest first home buyers assistance of any state in Australia.<sup>23</sup> During 2008-09, there were 44,050 applications for the *First Home Owner Grant*, the highest on record during the period 2000 to 2009.<sup>24</sup>

The Commonwealth Government's *First Home Owner Boost*, launched in October 2008 to provide financial assistance to eligible first home buyers, ceased to apply from 1 January 2010.

Table 7.3 shows total expected payments to eligible first home buyers for contracts signed up to 30 June 2010 and the new bonus for contracts signed from 1 July 2010 to 30 June 2011.

**Table 7.3: Estimated payments to eligible first home buyers**

	Contracts signed up to 30 June 2010			New Bonus Contracts – signed from 1 July 2010 to 30 June 2011		
	Established homes (\$)	Newly constructed homes (\$)	Newly constructed in regional Victoria (\$)	Established homes (\$)	Newly constructed (\$)	Newly constructed in regional Victoria (\$)
First Home Owners Grant	7,000	7,000	7,000	7,000	7,000	7,000
First Home Bonus	2,000	11,000	11,000	-	13,000	13,000
Regional First Home Bonus	-	-	4,500	-	-	6,500
<b>Total Victorian Government first homebuyers assistance</b>	<b>9,000</b>	<b>18,000</b>	<b>22,500</b>	<b>7,000</b>	<b>20,000</b>	<b>26,500</b>

Source: Department of Treasury and Finance, *State Budget 2010-11 — Assistance for homebuyers*, p.21

21 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.29

22 *ibid.*

23 Hon. J. Brumby, Premier of Victoria, 'Victorian first home buyers smash records in 2009', media release, 14 January 2010

24 State Revenue Office, *Annual Review 2009*, p.15.

The Committee believes that in 2011-12, the Government should expand its reporting on first home buyers assistance by providing a more detailed breakdown of the number of first home applicants by region (i.e. metro and regional Victoria) and home type (i.e. established or newly constructed homes). In addition, disclosure in the budget paper should be expanded to include an estimate of the total cost of assistance that will be provided to first home buyers.

**Recommendation 19:**     **The Department of Treasury and Finance should report in its annual financial report the number of first home applicants broken down by whether the homes were established or newly constructed and whether they were in regional or metropolitan Victoria.**

**Recommendation 20:**     **The Department of Treasury and Finance should include in the budget papers an estimate of the total cost of assistance that will be provided to first home buyers.**



## CHAPTER 8: REGIONAL AND RURAL VICTORIA

### Key findings of the Committee:

- 8.1 Critical issues facing regional and rural communities of relevance to the services provided by departments include demographic and climatic changes, economic growth, bushfire recovery and preparedness activities, growing demand for services and the physical capacity of infrastructure.
- 8.2 Around 1.8 million people are predicted to live in regional Victoria by 2036, compared to approximately 1.4 million in June 2009 (an increase of 29 per cent).
- 8.3 Locations expected to grow more strongly than others in regional Victoria include areas within a 150 kilometre radius of Melbourne (particularly Geelong, Ballarat and Bendigo) and 'lifestyle' locations (particularly coastal areas such as the Surf Coast, the Bass Coast, Warrnambool and Gippsland).
- 8.4 In terms of the ageing profile of the population, 19 per cent of the people residing in regional Victoria will be aged 75 years or more by 2036.
- 8.5 The Committee supports the need for effective medium and long-term planning, including strategic planning for regional growth, to support well targeted resource allocations into the future.
- 8.6 While funding provided to the regional and rural sector of Victoria is disclosed in a variety of ways throughout the budget papers, a consolidated presentation on a geographic basis does not form part of budget paper disclosure. The Committee reiterates its view that, given the importance of the regional and rural sector to Victoria's economic growth, a separate budget information paper should be re-considered by the Government that consolidates and stratifies budget initiatives according to geographic location, topic and department.
- 8.7 The Committee notes that budget investments to improve regional Victorian hospitals are shown separately from those that relate to Melbourne for the first time in the new Budget Information Paper No.2 titled *Putting Patients First*.
- 8.8 The work involved with the *Regional Strategic Planning Initiative* culminated in the release by the Government in June 2010 of its new vision for regional and rural Victoria — *Ready for Tomorrow: A Blueprint for Regional and Rural Victoria*.
- 8.9 *Ready for Tomorrow*, which commits \$630.7 million across five key strategies, is aimed at driving economic growth in regional and rural Victoria. Strategies are designed to attract jobs and population growth, secure major new investments and provide more opportunities for young people to keep them living and working locally.

## 8.1 Introduction

Regional and rural Victoria play an important role in this state. As acknowledged at the national level:<sup>1</sup>

*Rural and regional Australia is critical to the Australian economy, generating 60 per cent of our export income and driving Australia's resource and agricultural industries. Infrastructure in our regions is therefore a vital part of preparing the nation's economy for future challenges.*

At a state level, regional and rural Victoria contributes \$62.6 billion towards the State's economy.<sup>2</sup> Figure 8.1 shows a breakdown by region of population details, key towns and employment and industry details.

In terms of disclosing initiatives and funding provided through the Budget on a geographical basis, the Committee noted that the budget papers for 2010-11 contained a dedicated section that outlined in broad terms new support and investment for regional Victoria,<sup>3</sup> while significant budget initiatives were described on a regional basis according to six geographical segments of Victoria.<sup>4</sup> The reporting of Government-wide output and asset initiatives in the budget papers did not, however, distinguish between those that related to metropolitan Melbourne and those directed at benefiting regional and rural Victorians. With regard to departmental output and asset initiatives shown in the budget papers, some initiatives were specifically earmarked to regional and rural areas for Victoria, while others that have an element involving expenditure in regional and rural areas formed part of particular generic initiatives. Further comment on the level of disclosure of budget initiatives relating to the regional and rural sector is contained in section 8.5 of this chapter.

In order to understand the basis for funding provided through the Budget to regional and rural Victoria, the Committee was interested in:

- becoming familiar with the policy context and associated planning;
- gaining an appreciation of the critical issues facing that segment of the Victorian economy that are of relevance to the particular services provided by individual departments;
- determining how the 2010-11 Budget responded to these issues; and
- obtaining details surrounding some of the larger departmental projects directed at regional and rural Victoria.

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1 Commonwealth Budget 2010-11, *Stronger Rural and Regional Communities*, Ministerial Statement, p.1

2 Victorian Government, *Ready for Tomorrow: A Blueprint for Regional and Rural Victoria*, June 2010, p.4

3 Victorian Budget, *2010-11 Overview*, p.21

4 *ibid.*, pp.14–15

**Figure 8.1: Victoria's regions: population, key towns and employment and industry details**



**Source:** Compiled by the Secretariat of the Public Accounts and Estimates Committee from Regional Development Victoria websites, <[www.rdv.vic.gov.au/Victorian-regions](http://www.rdv.vic.gov.au/Victorian-regions)>, accessed 20 July 2010

## 8.2 Policy and planning

Policy development directed at regional and rural communities in Victoria over recent times has essentially involved two major pieces of work.

### **(A) Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest (November 2005)**

The Government released the *Moving Forward* five-year action plan in 2005 and its update in 2008 for the two years to 2010. This plan was developed in response to the challenges that faced provincial Victoria that included global competition, an ageing population, skill shortages and the ongoing need to rebuild infrastructure.<sup>5</sup> In order for economic success to be achieved, the Committee noted the view expressed by the then Premier in 2005 that:<sup>6</sup>

*If I could sum up our Government's ambition for provincial Victoria in one word, that word would be 'growth'. Population growth. Service-delivery growth. Infrastructure growth. Industry growth. Investment growth. Export growth. Jobs growth. And sustainable growth.*

*Moving Forward* provided a \$502 million package of 72 initiatives that were aimed at boosting sustainable economic growth and development in provincial Victoria. Funding included \$100 million for the *Provincial Victoria Growth Fund* and \$200 million for the renewed *Regional Infrastructure Development Fund*.<sup>7</sup>

*Moving Forward: Update — The Next Two Years 2008 to 2010* included a package of initiatives that refocused funding priorities for *Moving Forward* at the half-way point of the five-year blueprint for regional growth.<sup>8</sup>

### **(B) Ready for Tomorrow: A Blueprint for Regional and Rural Victoria (June 2010)**

The *Regional Strategic Planning Initiative*, announced in June 2008, was established to support the continued growth of provincial Victoria in a time of rapid and complex change.<sup>9</sup> Overseen by the Ministerial Taskforce for Regional Planning, the project had three main elements:<sup>10</sup>

- to develop a long-term, State-wide blueprint to manage the growth and change that was underway;
- to support the ongoing development of 'place-based' regional plans for integration with the State-wide blueprint; and
- to improve the overall processes and governance of regional planning across the State, including greater coordination between all levels of government.

5 Regional Development Victoria, *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest*, November 2005, Message from the Premier

6 *ibid.*

7 *ibid.*, p.3 and *Moving Forward: Update The Next Two Years 2008 to 2010*, June 2008, p.4

8 Regional Development Victoria, *Moving Forward: Update The Next Two Years 2008 to 2010*, June 2008, p.5

9 Regional Development Victoria, *Regional Strategic Planning Initiative Update*, Project Update May 2009, p.1

10 *ibid.*

The work involved with the *Regional Strategic Planning Initiative* culminated in the release by the Government in June 2010 of its new vision for regional and rural Victoria. *Ready for Tomorrow: A Blueprint for Regional and Rural Victoria* is aimed at driving economic growth in regional and rural Victoria. Strategies are designed to attract jobs and population growth, secure major new investment and provide more opportunities to keep young people living and working locally. Initiatives have been developed to create more jobs, improve education opportunities, boost support for businesses and industries and preserve the regional and rural way of life.<sup>11</sup>

The Regional Strategic Planning division of the Department of Innovation, Industry and Regional Development has been responsible for the development of the long-term blueprint to manage growth and change in provincial Victoria. The Division also supports ongoing development of ‘place-based’ regional or sub-regional plans that are integrated with the state-wide blueprint.<sup>12</sup>

*Ready for Tomorrow* commits \$630.7 million across five key strategies. Table 8.1 contains a broad description of these strategies as well as the funding commitment breakdown of the Government’s strategic investment.

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11 Regional Development Victoria, ‘Regional Blueprint — Ready for Tomorrow’, <[www.rdv.vic.gov.au/about-us/blueprint](http://www.rdv.vic.gov.au/about-us/blueprint)>, accessed 5 July 2010

12 Department of Innovation, Industry and Regional Development, ‘Regional Development Victoria’, <[www.diird.vic.gov.au/business-units/regional-development-victoria](http://www.diird.vic.gov.au/business-units/regional-development-victoria)>, accessed 19 July 2010

**Table 8.1: Funding commitments under the Government's *Ready for Tomorrow* long-term policy vision for regional and rural Victoria**

Strategy	Funding commitment (\$ million)	Description
Building infrastructure, connecting communities	203.9	<ul style="list-style-type: none"> <li>providing regional Victorians with infrastructure in water, cleaner energy, transport and industry development;</li> <li>improvements to broadband services, local roads, timber roads and bridges;</li> <li>bus service expansion; and</li> <li>more affordable housing.</li> </ul>
Supporting the regional and rural way of life	158.4	<ul style="list-style-type: none"> <li>funding for sports clubs, cultural activities and the community;</li> <li>infrastructure and amenities support for the wellbeing of older people in small communities;</li> <li>promoting regional Victoria as an ideal place to live and work;</li> <li>boosting programs to assist landholders to manage vegetation; and</li> <li>funding for building performing arts centres, galleries and other civic amenities.</li> </ul>
Investing in skills and young people	110.1	<ul style="list-style-type: none"> <li>new targets to increase enrolments and graduates;</li> <li>new infrastructure support to encourage investment in student accommodation and for TAFE and university facilities;</li> <li>leadership and cadetship programs;</li> <li>a new youth strategy; and</li> <li>support to develop new regional leaders.</li> </ul>
Backing jobs and industry	99.4	<ul style="list-style-type: none"> <li>a new action plan to create new jobs, boost regional industries and assist small business; and</li> <li>a commitment to grow government jobs in the State's regions to increase skills, training and exports and to support farmers, the food and beverage industry and tourism growth.</li> </ul>
Planning better regions — a new partnership	58.9	<ul style="list-style-type: none"> <li>a new approach to regional planning and development, including funding to support the planning and design of regional cities and towns, support for the development of new growth areas in regional cities, support for future planning in coastal areas and local government; and</li> <li>grants to local councils for future planning work and expertise within local councils, fast-tracking projects to assist local communities adapt to climate change and support for smaller councils.</li> </ul>

Source: *Regional Development Victoria, 'Ready for Tomorrow: A Blueprint for Regional and Rural Victoria', <[www.rdv.vic.gov.au/about-us/news/regional-victoria-ready-for-tomorrow](http://www.rdv.vic.gov.au/about-us/news/regional-victoria-ready-for-tomorrow)>, accessed 6 September 2010*

### 8.3 Critical issues confronting regional and rural communities and the Budget response

To understand the logic behind the provision of funding in the 2010-11 Budget to regional and rural communities, the Committee through the issue of the budget estimates questionnaire, gave departments the opportunity to explain the critical issues facing regional and rural communities in 2010-11 that depend on services provided by them. How the budget for each department addressed these issues was also of interest to the Committee. The Committee noted that according to the information provided by departments as outlined in Appendix 4, critical issues facing regional and rural communities of relevance to the services provided by departments centred on the following:

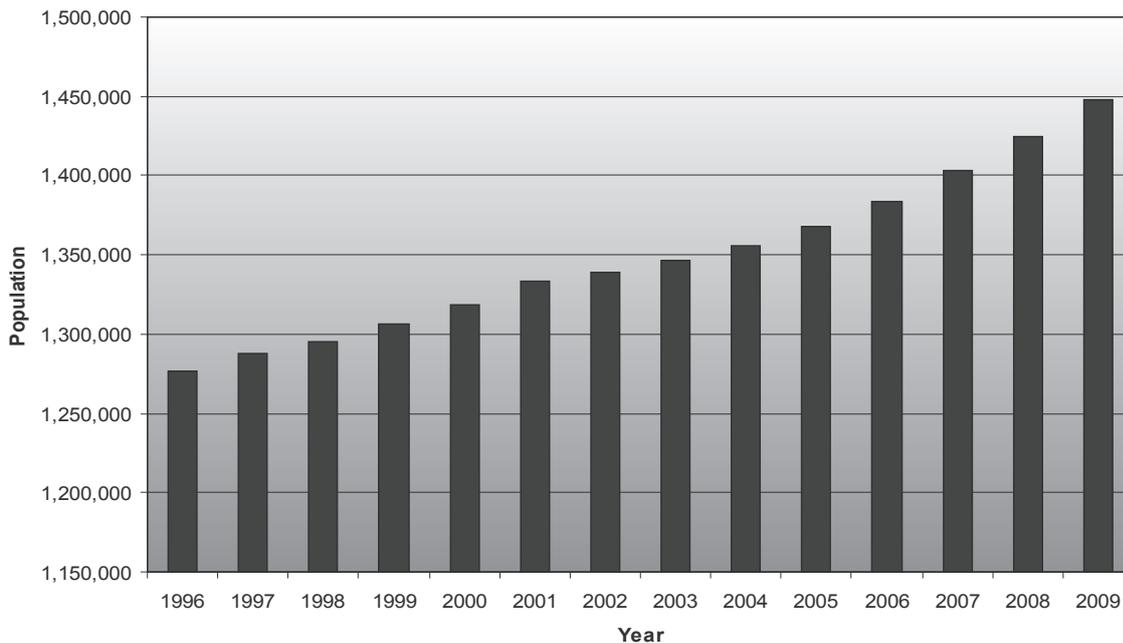
- population growth and demographic changes, including ageing trends (further comments are set out below);
- a changing climate — weather-related emergencies are becoming more frequent and severe, along with prolonged drought, increasing vulnerability to crises such as bushfire and floods and managing the impact of climate change on the environment;
- bushfire recovery and preparedness activities in fire-affected communities, including working closely with the Victorian Bushfire Reconstruction and Recovery Authority;
- growing demand for, and timely access to, services;
- economic growth — in addition to regional Victoria experiencing growth in industries such as retail, business and professional services and health and community services, new emerging industries include nature-based tourism, mineral sands, biotechnology and clean energy development;
- the physical capacity of infrastructure, e.g. developing transport solutions for accessing services and social networks, as well as enabling the efficient movement of freight;
- the recruitment and retention of professionals, and the provision of locally accessible skills development and education and training opportunities to support employment and economic participation;
- employment opportunities;
- the needs of Indigenous Victorians, including ensuring they have opportunities to participate in identifying issues, priority setting and planning for their communities; and
- maintaining lifestyle, including encouraging young people to stay in, or return to, regional areas and tackling social disadvantage.

The population in regional Victoria has grown by 11 per cent between 1999 and 2009.<sup>13</sup> Peaking at 1.45 million in 2009, Figure 8.2 shows the level of population growth in regional Victoria between 1996 and 2009. The Committee noted that according to the Department of Planning and Community Development, the proportion of older people in regional and rural areas is greater than in metropolitan Melbourne and, as such, the challenges of a rapidly ageing population are being felt more sharply in these communities.<sup>14</sup>

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13 Budget Paper No.3, *2010-11 Service Delivery*, p.378

14 Department of Planning and Community Development, response to the Committee's 2010-11 Budget Estimates Questionnaire – Part B, received 7 May 2010, p.14 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, Appendix 1, p.236)

**Figure 8.2: Population growth in regional Victoria, 1996 to 2009**

Source: Hon. J. Allan MP, Minister for Regional and Rural Development, 2010-11 budget estimates hearing, slide presentation, 10 May 2010

As indicated by the Government:<sup>15</sup>

- population growth brings with it many opportunities such as new skills, increased services and more job opportunities which in turn boost the economy; and
- it is important that population growth is well-managed to ensure that these opportunities are realised, and that any challenges are addressed so the lifestyle of regional and rural Victoria is maintained and the character of regional cities, centres and towns is protected.

In terms of forecasts dealing with demographic changes for the regional and rural sector of Victoria, the Committee was particularly interested in future budget implications of these factors and the important role that planning will have in the development of medium and long-term strategies for the profiles of these regional and rural communities. The recent release of the *Ready for Tomorrow: A Blueprint for Regional and Rural Victoria* in June 2010, as referred to in Section 8.2 of this chapter, is a good example of policy development in this area. The Committee noted that:<sup>16</sup>

- around 1.8 million people are predicted to live in regional Victoria by 2036, compared to approximately 1.4 million in June 2009 (an increase of 29 per cent);

15 Victorian Government, *Ready for Tomorrow: A Blueprint for Regional and Rural Victoria*. June 2010, Fact Sheet for Regional Development Policy, A State of Many Choices – Regional Settlement Framework

16 Department of Transport, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 5 May 2010, pp.18–19 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, Appendix 1, p.316)

- locations expected to grow more strongly than others in regional Victoria include areas within a 150 kilometre radius of Melbourne (particularly Geelong, Ballarat and Bendigo) and ‘lifestyle’ locations (particularly coastal areas such as the Surf Coast, the Bass Coast, Warrnambool and Gippsland); and
- 19 per cent of the people residing in regional Victoria will be aged 75 years or more by 2036.

The Department of Planning and Community Development provides demographic information and population projections for all parts of regional Victoria. Research is also conducted into a range of regional and rural issues such as housing, employment and social disadvantage.<sup>17</sup>

The Committee appreciates the importance of this information to regional and rural communities for undertaking planning activities for land use, settlement planning, infrastructure and service planning, as well as community development in the Government, private and not-for-profit sectors. The Committee supports the need for effective medium and long-term planning, including strategic planning for regional growth, to support well targeted resource allocations into the future. Linkages of budget allocations for specific regions of the State to strategic plans and critical issues affecting these communities would enable users of the budget papers to understand the basis for resourcing decisions made in formulating the Budget. Further comment on this matter is included in Chapter 4 of this report.

**Recommendation 21:     The Department of Treasury and Finance consider providing greater transparency over resourcing decisions involving regional and rural communities by linking budget allocations for new initiatives to strategic plans and critical issues affecting specific regions of the State.**

The Committee was interested to understand how critical issues facing different regional and rural communities are expected to impact on the demand for departmental services in particular localities of Victoria. Table 8.2 illustrates examples of factors impacting on certain departmental services provided by the Department of Justice according to particular regional and rural areas of the State.

17 Department of Planning and Community Development, response to the Committee’s 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010, p.13 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, Appendix 1, p.235)

**Table 8.2: Factors contributing to service demand for justice services in particular regional and rural communities**

Critical issues facing regional and rural communities	Departmental services	Locality
Population growth	Justice services such as access to courts and correctional facilities or information, advice and counselling services	Large regional centres (e.g. Ballarat, Geelong and Bendigo)
Population fluctuations during holiday and other peak periods	Justice services such as police, emergency services and consumer affairs	The Surf Coast, Alpine Region and the Gippsland Lakes
Areas of disadvantage	Justice services (various)	Barwon South West, Loddon Mallee and Gippsland
Significant Indigenous populations that are disadvantaged	Justice services (various)	Shepparton, the Barwon South West Region and Gippsland
New communities are emerging — favoured resettlement destination of people from the Middle East	Justice services (various)	Cobram
A diverse community with refugees from Iraq, Afghanistan, Sudan and Democratic Republic of Congo settling in the area	Justice services (various)	Shepparton

Source: Department of Justice, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010, pp.23–4

The Committee also gained an appreciation of the need for departments to work with local government to ensure adequate community facilities such as libraries, community centres and sporting facilities are provided in growing communities. The Committee noted that departments were able to relate funding provided in the 2010-11 Budget to the critical issues confronting regional and rural communities.

The critical issues affecting regional and rural communities of relevance to departmental services, associated funding initiatives and an outline of the largest projects funded through the 2010-11 Budget are presented on a departmental basis in Appendix 4 to this report titled 'Critical Issues facing Regional and Rural Victoria and Funding Initiatives contained in the 2010-11 Budget'.

## 8.4 Analysis of regional and rural funding initiatives for 2010-11

In the context of regional Victoria, the focus of the 2010-11 Budget is directed at:<sup>18</sup>

- creating more lifestyle and work options in regional areas;
- assisting in relieving growth pressures on Melbourne; and
- generating employment opportunities and wealth in Victoria's regions.

Particular themes centred on:<sup>19</sup>

- boosting regional hospitals;

<sup>18</sup> Victorian Budget, 2010-11 Overview, p.21

<sup>19</sup> *ibid.*

- providing better regional connections through continuing the upgrade of regional transport infrastructure and services;
- upgrading infrastructure across regional Victoria; and
- improving housing affordability.

The 2010-11 Budget also continues the support provided to regional and rural communities in the form of funding targeted at bushfire-related activities (see Section 8.6.2 of this chapter for further details).

In the prior year, the regional focus of the Budget was directed at ensuring that regional industries, businesses and communities were well placed to cope with the effect of the Global Financial Crisis by driving further job and economic growth across Victoria's regions. Budget initiatives were categorised according to those that related to:<sup>20</sup>

- linking rural, regional and the metropolitan area of Victoria;
- improving health services in regional Victoria;
- assisting Victoria's farmers; and
- supporting regional industries and communities.

The Committee notes that the Government is conscious of the need to continue encouraging young people to live and work in regional Victoria. Creating more jobs close to where regional Victorians live, helping young people build their skills and assisting in the development of those industries which have a comparative advantage are areas that the Committee noted in policy formulation.

## **8.5 Disclosure of regional and rural funding initiatives in the 2010-11 budget papers**

Funding provided to the regional and rural sector of Victoria is disclosed in a variety of ways throughout the budget papers. Examples are set out in Table 8.3.

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20 *ibid.*, p.23

**Table 8.3: Methods of disclosing regional and rural initiatives in the 2010-11 budget papers**

Budget paper	Example of disclosure	Strength / Weakness
2010-11 Overview	Under the theme 'Delivering the Victorian Transport Plan' and the sub-heading 'Upgrading city and regional road connections', \$77 million over five years for the next stage of the Geelong Ring Road. <sup>(a)</sup>	Funding separately identified to this project is a strength.
2010-11 Overview	Under the theme 'Delivering the Victorian Transport Plan' and the sub-heading 'Upgrading city and regional road connections', \$15 million over two years to upgrade railway level crossings across Victoria. <sup>(b)</sup>	A breakdown of funding between metropolitan compared to individual regions is not provided.
2010-11 Overview	A dedicated section dealing with new support and investment for regional Victoria reveals the largest allocation of funds to broad categories, e.g. \$618 million for the investment in regional hospitals and \$360 million for major regional transport initiatives. <sup>(c)</sup>	Major initiatives are grouped under broad areas of spending in a section of the Budget Overview that is specially assigned to Regional Victoria; as it is an overview, funding is not disclosed according to specific projects within these categories.
2010-11 Overview	Significant targeted initiatives are reported according to the five geographical segments of regional Victoria. For example, the Ballarat Regional Integrated Cancer Centre redevelopment is reported under the Grampians region. <sup>(d)</sup>	While the disclosure of significant initiatives on a regional basis is helpful in interpreting the Budget, quantification of the funding provided for each initiative would have been more informative.
2010-11 Overview	Regional state-wide initiatives are listed e.g. \$4.3 billion in partnership with the Commonwealth Government for the <i>Regional Rail Link</i> and significant upgrades to regional schools and new permanent facilities as part of the <i>Victorian Schools Plan</i> . <sup>(e)</sup>	While it is useful to see a consolidated snapshot of the state-wide initiatives directed at regional Victoria, quantification of the funding provided for all state-wide initiatives would have provided consistency in reporting and been more informative to the users of the budget papers.
Budget Paper No.3, 2010-11 Service Delivery	Explanation of the relevance of output groups to the achievement of GVT visions.	While linkages are drawn, no examples are given on a regional or rural basis to demonstrate particular funding initiatives and funding within these output groups, e.g. the <i>Regional Development and Planning Communities for Growth and Change</i> output groups (that provide support for infrastructure development in regional cities and towns so that jobs are created and industries are developed and sustained) will contribute to the Thriving Economy vision. <sup>(f)</sup>
Budget Paper No.3, 2010-11 Service Delivery	Government-wide output initiatives include funding that extends across regions e.g. Bushfire preparedness — Community education and engagement: \$21.8 million in 2010-11 and \$20.0 million in 2011-12. <sup>(g)</sup>	Government-wide output initiatives are not disclosed on a geographic basis.
Budget Paper No.3, 2010-11 Service Delivery	Government-wide asset initiatives include funding that extends across regions e.g. Bushfire preparedness for schools: \$41.0 million in 2010-11. <sup>(h)</sup>	Government-wide asset initiatives are not disclosed on a geographic basis.

Budget paper	Example of disclosure	Strength / Weakness
Budget Paper No.3, 2010-11 Service Delivery	Departmental output initiatives include regional initiatives e.g. Department of Planning and Community Development — Regionally significant sporting grants program: \$1.0 million in 2010-11 and \$1.0 million in 2011-12. <sup>(i)</sup>	Grants are not broken down by region.
Budget Paper No.3, 2010-11 Service Delivery	Departmental asset initiatives — some initiatives are specific to a region e.g. the New Bendigo Hospital, while others are disclosed on a state-wide basis e.g. state-wide enhancements to regional cancer services. <sup>(j)</sup>	Asset initiatives of a state-wide nature are not broken down per region.
Budget Paper No 4, 2010-11 Statement of Finances	Land transfer duty for 2010-11 of \$3,672.4 million is disclosed in aggregate for the State. <sup>(k)</sup>	The budget papers do not show a disaggregation between metropolitan compared to regional Victoria.
Budget Information Paper No.1, 2010-11 Public Sector Asset Investment Program	Existing and new projects are disclosed individually for the General Government Asset Investment Program and the Public Non-Financial Corporations Asset Investment Program for 2010-11.	A breakdown of asset investment projects between metropolitan and regional Victoria is not disclosed in the budget papers.
Budget Information Paper No.2, Putting Patients First	Budget investments to improve regional hospitals are separately disclosed from funding for upgrading hospitals in Melbourne. <sup>(l)</sup>	The budget papers differentiate between capital funding for regional hospitals compared those located in Melbourne.

## Notes:

- (a) *Victorian Budget, 2010-11 Overview, p.20*  
 (b) *ibid.*  
 (c) *ibid., p.21*  
 (d) *ibid., p.14*  
 (e) *ibid., p.15*  
 (f) *Budget Paper No.3, 2010-11 Service Delivery, p.38*  
 (g) *ibid., p.280*  
 (h) *ibid., p.296*  
 (i) *ibid., p.329*  
 (j) *ibid., p.309*  
 (k) *Budget Paper No.4, 2010-11 Statement of Finances, p.206*  
 (l) *Budget Information Paper No.2, Putting Patients First, pp.7–8*

The Committee, in its *Report on the 2008-09 Budget Estimates — Part Three*, recommended the development of a new budget paper providing a comprehensive overview of State Government programs and initiatives for regional and rural Victoria.<sup>21</sup> Though the Government rejected this recommendation, the Committee, after considering this issue for a second time, reiterated its view that a separate budget paper that consolidated budget information pertinent to regional and rural communities be produced as part of the budget papers.<sup>22</sup> In rejecting this recommendation, the Government stated that:<sup>23</sup>

21 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates — Part Three*, p.110

22 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates — Part Two*, p.125

23 Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 88<sup>th</sup> Report on the 2009-10 Budget Estimates — Part Two, tabled 14 April 2010, p.12

*The budget papers currently report significant targeted initiatives by the six geographical segments of Victoria and these are supplemented by work under the Regional Strategic Planning Initiative that is being undertaken through the Department of Innovation, Industry and Regional Development.*

*State-wide initiatives are not reported at a geographical segment level as these are funded across Victoria and not specifically to a region. The Department of Treasury and Finance considers the dissection of state-wide initiatives budget funding by regions as being only feasible where the information clearly represents the underlying purpose of the initiative.*

*No further work planned.*

As indicated in Chapter 15 of this report, the Committee maintains that its recommendations of the past two years be revisited once again. While Table 8.3 shows there are many ways in which funding to regional and rural communities is disclosed in the Budget, the aggregate quantum and breakdown of new budget initiatives directed at the regional and rural sector of Victoria are not disclosed in a consolidated form and geographically in the budget papers. The Committee noted, however that budget investments to improve regional Victorian hospitals are shown separately from those that relate to Melbourne for the first time in the new Budget Information Paper No.2 titled *Putting Patients First*.<sup>24</sup> The Committee also noted that a new section devoted to ‘regional health care facilities’ has been incorporated into Budget Paper No.3 in the chapter covering ‘service and budget strategies’.<sup>25</sup> The Committee would like to see this initiative expanded in future, both in relation to output initiatives and asset investments pertaining to other areas of government such as education, public transport, justice, regional and rural development, agriculture, water, environment and climate change and information and communication technology.

The budget papers would be more informative if the section in the Budget Overview titled ‘New Support and Investment for Regional Victoria’ were expanded along the lines of an additional information paper or a detailed Ministerial Statement on rural and regional matters as is produced at the Commonwealth level. The Committee noted that the Ministerial Statement *Stronger Rural and Regional Communities* accompanying the Commonwealth Budget provides a section covering budget highlights in areas such as transport infrastructure investment, rural and regional health, drought support, renewable energy, tourism, disaster recovery payments, strategy for people with a disability and improving access to justice. A ‘Compendium of Priorities and Initiatives’ for portfolios detailing funding measures and initiatives also formed part of the Ministerial Statement.<sup>26</sup>

The Committee also envisages that, given the release in June 2010 of the *Ready for Tomorrow: A Blueprint for Regional and Rural Victoria* policy document that commits \$631 million across five key strategies, the budget papers will in future show a similar table to that which relates to the *Victorian Transport Plan* that shows initiatives funded as part of the budget against the commitments outlined in the blueprint.<sup>27</sup>

24 Budget Information Paper No.2, *Putting Patients First*, p.7

25 Budget Paper No.3, *2010-11 Service Delivery*, pp.17–18

26 Commonwealth Budget, Ministerial Statement, Budget, *Stronger Rural and Regional Communities*, 11 May 2010

27 Budget Paper No.3, *2010-11 Service Delivery*, pp.471–3

**Recommendation 22:** The Department of Treasury and Finance consider introducing into the budget papers an information paper that consolidates and stratifies funding initiatives provided to the regional and rural sector of Victoria according to geographic location, topic and department.

Analysis by the Committee of specific budget initiatives and related issues of interest to the Committee is set out below.

## 8.6 Specific budget initiatives affecting regional and rural Victorians

### 8.6.1 A new Bendigo Hospital

A major announcement in the 2010-11 Budget related to \$473 million total estimated investment (TEI) for the new Bendigo Hospital.<sup>28</sup> The Government stated that:<sup>29</sup>

*The new Bendigo Hospital will be the largest regional hospital project ever undertaken in Victoria and will improve access to services and expand physical capacity to meet current and future demand.*

In servicing the whole of the north-west of the State, this project in dollar terms is the third largest capital works project even in Victoria in the health portfolio.<sup>30</sup> The Committee noted that of the \$473 million TEI, \$196 million is to be provided over the forward estimates to 2013-14 with \$138 million provided in the last year. The initiative includes funding of \$277 million to be provided beyond 2013-14.<sup>31</sup> The Government expects that, while the existing hospital will remain fully operational throughout construction, the new hospital is to be completed in 2016.<sup>32</sup>

Due to the magnitude of this initiative, the Committee was interested in hearing about what is planned in relation to this project. At the budget estimates hearing, the Minister for Health advised that the project is about providing:<sup>33</sup>

- more beds and modern facilities to meet the needs of the community in a growing part of regional Victoria;
- the best possible physical infrastructure to provide the best possible care;
- jobs and strong economic activity in regional centres; and
- the best possible workplace for the staff of Bendigo Health.

28 *ibid.*, p.309

29 *ibid.*, p.17

30 Hon. D. Andrews MP, Minister for Health, 2010-11 budget estimates hearing, transcript of evidence, 12 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, Appendix 2, p.B9)

31 Budget Paper No.3, *2010-11 Service Delivery*, pp.309–10

32 Victorian Government, *The new Bendigo Hospital fact sheet*, 2010, p.2

33 Hon. D. Andrews MP, Minister for Health, 2010-11 budget estimates hearing, transcript of evidence, 12 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, Appendix 2, pp.B9–10)

The Committee understands that the new Bendigo Hospital project will create 735 direct construction jobs.<sup>34</sup>

In terms of additional capacity, the Minister indicated that there will be an additional 135 treatment spaces for treating 10,000 additional patients each year. In particular, this will involve:<sup>35</sup>

- the number of chemotherapy chairs increasing from eight to 26;
- the provision of an additional radiotherapy bunker that will be fitted out with a third linear accelerator;
- increasing the number of renal dialysis chairs from 12 to 24;
- consolidating a number of mental health services from various sites into a new purpose-built facility, with capacity increasing from 42 to 75 beds;
- the establishment of a new helipad;
- in terms of maternity services, the development of a new women's and children's centre; and
- the provision of three additional operating theatres.

At the budget estimates hearing, the Committee explored with the Minister the issue of refurbishing some of the current buildings in the service plan for the new hospital. The Minister explained that in striving to obtain best value, some of the buildings that have a useful life are to be refurbished. This process, rather than bulldozing the entire hospital and starting from scratch, would permit the hospital to be operational during construction.<sup>36</sup> As described in the budget papers, '*funding is provided for a new acute hospital and mental health facility located on the historic Anne Caudle site, with the existing acute site refurbished for ambulatory care*'.<sup>37</sup>

### **8.6.2 Bushfire recovery in regional Victoria**

The Committee noted that the February 2010 *Annual Statement of Government Intentions* contains a dedicated section dealing with last year's bushfires which were the worst in Australia's history.<sup>38</sup> It was also noted that the Overview to the 2010-11 Budget contained a special section dealing with the largest rebuilding effort ever undertaken in this State in order to create new futures for people, towns, communities and regions affected by the fires.<sup>39</sup>

At the budget estimates hearing with the Minister for Regional and Rural Development, the Committee was told that a major part of the work that Regional Development Victoria has been undertaking over the past 12 months has involved working closely with bushfire-affected communities through their recovery and rebuilding phase and this will continue to be a major part

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34 Victorian Government, The new Bendigo Hospital fact sheet, 2010, p.2

35 Hon. D. Andrews MP, Minister for Health, 2010-11 budget estimates hearing, transcript of evidence, 12 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, Appendix 2, p.B10)

36 *ibid.*, p.B32)

37 Budget Paper No.3, *2010-11 Service Delivery*, p.312

38 Victorian Government, *Annual Statement of Government Intentions*, February 2010, pp.17–20

39 Victorian Budget, *2010-11 Overview*, p.24

of the work to be done in the year ahead.<sup>40</sup> Given that the 2009-10 Budget provided \$986 million over five years for services and infrastructure to assist Victoria recover from this tragedy, the Committee was interested in hearing about the activities that Regional Development Victoria would be delivering under this budget to aid recovery from those fires.

The Minister for Regional and Rural Development advised the Committee that, among other things:<sup>41</sup>

- the work of Regional Development Victoria is undertaken, not only with local communities and local government, but also with the Commonwealth Government;
- the Prime Minister and the Premier of Victoria released the \$193 million *Rebuilding Together* package in October 2009 — the \$51 million business assistance package will continue to be rolled out in 2010-11 which includes business recovery workshops and buy local campaigns; and
- the Victorian bushfires business investment fund, a joint Commonwealth-State fund with each level of government contributing \$5 million, has been established to assist commercial activity, particularly in relation to tourism, return to those bushfire-affected communities.

The Committee acknowledges the numerous government-wide output and asset initiatives associated with the bushfires that are also contained in the 2010-11 budget papers.<sup>42</sup> In addition to the funding provided in the 2009-10 Budget, the Government has announced a further \$211 million over four years for reconstruction, recovery and preparedness activities in advance of the 2009-10 fire season, addressing a number of recommendations presented in the 2009 Victorian Bushfires Royal Commission Interim Report.<sup>43</sup> The 2010-11 Budget provides:<sup>44</sup>

- \$92 million over four years for preparedness and community education initiatives;
- \$67 million over four years to improve bushfire information services, intelligence gathering and analysis, warning capability and to fund new CFA Commander positions; and
- \$79 million over five years for a range of emergency response initiatives.

As outlined in the Government's new policy, *Ready for Tomorrow: A Blueprint for Regional and Rural Victoria*, released on 15 June 2010, ongoing action designed to rebuild fire-affected businesses and restore economic activity in communities is supported through a wide range of Government initiatives that includes a business assistance program, a tourism support package, assistance for community infrastructure, support for local events and a business investment fund.<sup>45</sup>

40 Hon. J. Allan MP, Minister for Regional and Rural Development, 2010-11 budget estimates hearing, transcript of evidence, 10 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.13)

41 *ibid.*, pp.111–12

42 Budget Paper No.3, *2010-11 Service Delivery*, pp.280–98

43 *ibid.*, pp.8-9

44 Victorian Government, *Ready for Tomorrow, A Blueprint for Regional and Rural Victoria*, June 2010, p.15

45 *ibid.*

The Committee also notes that the Premier tabled the final report of the 2009 Victorian Bushfires Royal Commission, which contained 67 recommendations, on 31 July 2010. The Premier stated that:<sup>46</sup>

*In the coming week, the Government will outline an interim response to the Royal Commission's recommendations. It will carefully consider the final report and over coming weeks give the Victorian public agencies, business and community groups affected by the Commission's recommendations an opportunity to have input before formulating its response.*

The Committee maintains that in order for the intended outcomes to be experienced as soon as possible from expenditure associated with addressing issues connected with the 2009 bushfires, it will be important for projects to be completed on time. Projects will therefore need to be carefully monitored against planned completion timeframes. An evaluation and reporting regime will also need to be developed after the Government has determined the total suite of Royal Commission recommendations to be actioned and a sufficient lead time has elapsed for outcomes to be accurately measured, including those that relate to measures that have already been implemented to improve Victoria's capacity to prepare for and respond to future bushfires.

**Recommendation 23: After a sufficient lead time has elapsed in relation to actioning the adopted recommendations from the Victorian Bushfires Royal Commission, the Government develop an evaluation and reporting framework in relation to measures taken in response to the 2009 Victorian bushfires.**

### **8.6.3 Public housing in Greater Geelong**

Drawing on the submission provided by the Geelong Settlement Planning Committee into the Family and Community Development Committee's *Inquiry into the Adequacy and Future Directions of Public Housing in Victoria*, the Committee noted that the waiting time for priority housing in the Geelong region is between two and three years, and 10 years or more for general housing.<sup>47</sup>

With regard to public housing in Geelong, the Committee raised with the Minister for Housing at the estimates hearing the issue of the increase in the number of applicants on the waiting list compared to a reduction in Government-owned or managed public housing dwellings. While the general waiting list for public housing in Geelong increased by 1,421 applicants from 946 applicants in June 1999 to 2,367 at 31 March 2010 (440 'early housing' applicants and 1,927 'wait turn' applicants), the Committee noted that the number of Government-owned or managed public housing dwellings decreased by 84 units from 3,582 in June 1999 to 3,498 at June 2009.<sup>48</sup>

The Committee also noted that the waiting list in Geelong for 'early housing' increased by 398 applicants from 42 applicants at 30 June 2002 to 440 applicants at 31 March 2010. Applicants classified as those that in need of 'early housing' are people who are experiencing or at risk of

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46 Premier of Victoria, media release, *2009 Victorian Bushfires Royal Commission Report Tabled*, 31 July 2010

47 Geelong Settlement Planning Committee, *Response to Inquiry into the Adequacy and Future Directions of Public Housing in Victoria*, 20 January 2010, p.6

48 Hon. R. Wynne MP, Minister for Housing, 2010-11 budget estimates hearing, transcript of evidence, 19 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Two*, June 2010, p.D10)

recurring homelessness, people with a disability who have significant support needs and people with special housing needs.<sup>49</sup>

The Committee was advised that most of the reduction in Government-owned stock occurred between June 2005 and June 2008. During this time around 122 older, poor quality units were demolished in Norlane, a redevelopment site and part of a Neighbourhood Renewal location. The Committee learnt that these demolitions have made way for a new investment for the \$40 million Norlane regeneration, which will provide 200 new units, 40 of which have been delivered and the remaining 160 of which are to be delivered in ensuing years.<sup>50</sup>

At the estimates hearing, the Minister for Housing drew the Committee's attention to the significant investment in the Geelong region under the Commonwealth Government's Nation Building initiative and the associated joint public-private development on the TAFE site in Moorabool Street where 30 units of social housing and 60 units of private housing are to be developed.<sup>51</sup>

The Minister for Housing also brought to the notice of the Committee that, apart from the provision of public housing in Greater Geelong, a significant investment is also being made through Housing Associations to grow the supply of social housing.<sup>52</sup>

The Committee believes that it is essential that additional public housing projects be completed with a view to housing more applicants on public or social housing lists, especially those in the 'early housing' segment. The Committee will be interested in examining the findings reached by Family and Community Development Committee from its *Inquiry into the Adequacy and Future Directions of Public Housing in Victoria*, particularly in relation to:

- the major social housing building programs underway provided by both State and Commonwealth Governments;
- major refurbishments to existing stock;
- public housing demand throughout Victoria; and
- waiting times to access public housing and how this varies by each segment.

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49 Department of Human Services, 'Housing', <[www.housing.vic.gov.au/applying-for-housing/waiting-times](http://www.housing.vic.gov.au/applying-for-housing/waiting-times)>, accessed 28 July 2010

50 Hon. R. Wynne, Minister for Housing, response to the Committee's questions on notice, received 16 July 2010 (see Appendix 2 below)

51 Hon. R. Wynne MP, Minister for Housing, 2010-11 budget estimates hearing, transcript of evidence, 19 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Two*, June 2010, p.D10)

52 Hon. R. Wynne MP, Minister for Housing, response to the Committee's questions on notice, received 16 July 2010 (see Appendix 2 below)



## CHAPTER 9: DEPARTMENTAL WORKFORCE AND JOBS IN THE STATE

### Key findings of the Committee

- 9.1 Employee expenses are expected to total \$16.2 billion across the general government sector in 2010-11, 36 per cent of total expenses. A total of 32,788 departmental staff (Equivalent Full-Time — EFT) were employed across the general government sector as at 30 June 2010, with an additional 146,724 staff (EFT) in the major budget-funded agencies, including schools, hospitals and aged care facilities.
- 9.2 In terms of departmental staff, the Department of Human Services and the Department of Justice are the largest departments, together accounting for 55 per cent of departmental staff as at June 2010.
- 9.3 The Department of Education and Early Childhood Development is the only department expecting a reduction in the number of departmental staff (EFT) between June 2010 and June 2011. The three departments expecting the largest growth in percentage terms are the Department of Justice, the Department of Planning and Community Development and the Department of Transport.
- 9.4 There is expected to be a 1.4 per cent growth in staff working in the major budget-funded agencies. The bulk of this comes from growth in public hospitals, aged care centres and Victoria Police. Many agencies are expecting reductions in the number of EFT staff over 2010-11.
- 9.5 The 2010-11 Budget includes a number of asset and output initiatives aimed at creating and securing jobs in both the public and private sectors. This includes a variety of programs to secure jobs within Government departments.

### 9.1 Introduction

As part of its Inquiry into the 2010-11 Budget Estimates, the Committee sought information from the departments regarding their Equivalent Full-Time (EFT) staff numbers as at 30 June 2009 and estimated numbers as at June 2010 and June 2011. Details were provided for both the departments and the major budget-funded agencies. Full responses can be seen in Appendix 1 of the *Report on the 2010-11 Budget Estimates — Part One*.

EFT numbers are defined as the total number of hours actually worked by staff divided by the number of hours worked annually in a full-time position. In this way, part-time or fractional work is calculated as a percentage of a full-time position. For example, a 0.5 EFT signals that the position is half of a full-time position.

In addition to information on departmental and agency staffing levels, the Committee sought information from departments about 2010-11 Budget initiatives directed at securing jobs or creating new jobs both in the departments themselves and across the State.

## 9.2 Public sector workforce

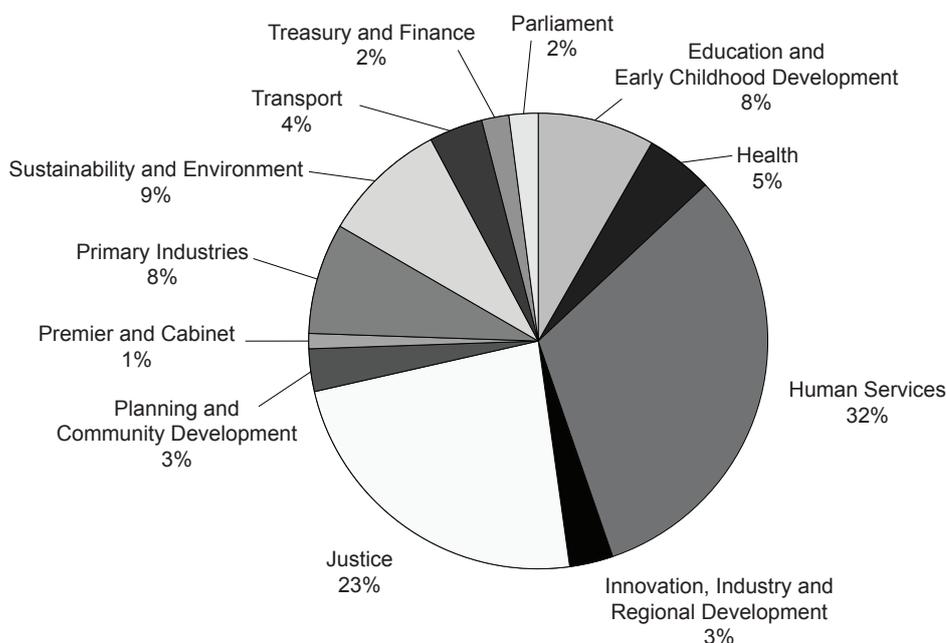
Staffing costs encompass a major component of the recurrent expenditure of public sector departments and agencies, with the Budget estimating \$16.2 billion worth of employee expenses across the general government sector in 2010-11 (36 per cent of total expenses).<sup>1</sup> Departmental staff numbered 32,788 (EFT) as at 30 June 2010, an increase of 3.2 per cent from 30 June 2009 (see Table 9.2). The major budget-funded agencies, including schools, hospital and aged care facilities, accounted for another 146,724 employees (EFT) in 2010, a 1.4 per cent increase on 2009 (see Table 9.3).

All departments and agencies are expected to regularly review their staffing profiles for the programs and projects which they administer to check operational efficiency and effectiveness. In addition, recent budgets have included increased efficiency targets for all departments. The Committee reviews the data on staffing levels provided by departments and looks at changes and trends in the data and the explanations provided by departments to support those changes.

### 9.2.1 Departmental staff numbers

Figure 9.1 shows the proportion of departmental staff employed in each department as a percentage of total departmental staff numbers across all departments as at 30 June 2010. The figure indicates that the majority of staff are employed in the Department of Human Services (32 per cent) and the Department of Justice (23 per cent), although it is important to note that these figures do not take into account staff employed in the major budget-funded agencies, schools, hospitals and aged care centres.

**Figure 9.1: Distribution of staff (EFT) across Government departments, as at 30 June 2010**



Note: (a) Excludes major budget-funded agencies, schools, hospitals and aged care centres

Source: Departmental responses to the Committee's 2010-11 budget estimates questionnaire

<sup>1</sup> Budget Paper No.4, 2010-11 Statement of Finances, p.10

The Committee requested that departments provide information about their staff's type or form of employment in terms of the numbers of ongoing, fixed-term and casual positions. Departments were also asked to provide figures on the number of funded vacancies in their departments as at the end of each of the three financial years, 2008-09 to 2010-11.

Table 9.1 has been prepared from the data provided by the departments and indicates the changes in the proportion of each type.

**Table 9.1: Proportion of departmental staff in ongoing, fixed-term and casual employment, and proportion of funded vacancies 2009 to 2011**

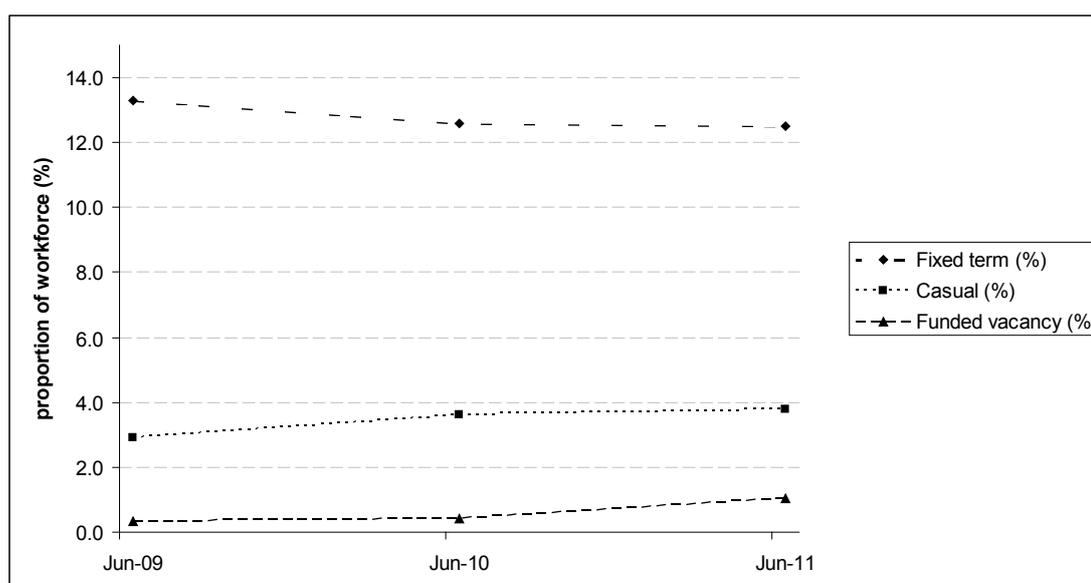
	30 June 2009 (%)	30 June 2010 (%)	30 June 2011 (%)
Ongoing	83.5	83.3	82.7
Fixed-term	13.3	12.6	12.5
Casual	2.9	3.6	3.8
Funded vacancy <sup>(a)</sup>	0.3	0.4	1.0

Note: (a) Data for funded vacancies not supplied by most departments

Source: Departmental responses to the Committee's 2010-11 budget estimates questionnaire

The data indicate relatively little variation in the form of employment over the three years, although it is noted that there is some trend downwards in the proportion of ongoing and fixed-term employment and a corresponding trend upwards in casual employment and funded vacancies over the period (see Figure 9.2). Although the proportion remains relatively low, the Committee notes a significant increase in casual positions from 2009 to 2010 — from 925.3 EFT to 1,134.8 EFT.

**Figure 9.2: Proportion of staff in fixed-term and casual positions and funded vacancies 2009 to 2011**



Note: (a) Data for funded vacancies not supplied by most departments

Source: Departmental responses to the Committee's 2010-11 budget estimates questionnaire

The Committee noted that it is difficult to draw any clear conclusion with regard to the trend in funded vacancies over the three years as most departments did not provide data. Many stated that they did not maintain information of this nature explaining that, generally, job vacancies are created and filled according to program requirements and available funding or when a position is vacated.

The Committee has reiterated, in Chapter 15 below, its view that the Department of Treasury and Finance should consider the development of appropriate guidelines for the determination of ‘funded vacancies’. The Committee maintains that the analysis of workforce data would be more meaningful if funded vacancies were included.

### 9.2.2 Variation in departmental EFT staff numbers 2010 to 2011

Table 9.2 shows the number of actual EFT positions in each department as at 30 June 2009 and estimated EFT positions for the years ended June 2010 and June 2011. The last column shows the variation in estimated EFT staff numbers between June 2010 and June 2011.

**Table 9.2: Departmental staff numbers**

Department <sup>(a)</sup>	30 June 2009 (actual EFT)	30 June 2010 (estimated EFT)	30 June 2011 (estimated EFT)	Variation 2010-2011 (%)
Education and Early Childhood Development	2,642	2,701	2,651	-1.9
Health <sup>(b)(c)</sup>	n/a	1,570	-	-
Human Services	11,413	10,352	10,493	1.4
Innovation, Industry and Regional Development <sup>(c)</sup>	1,030	1,054	-	-
Justice	7,461	7,685	7,916	3.0
Planning and Community Development	1,048	1,079	1,110	2.8
Premier and Cabinet <sup>(c)</sup>	335	343	-	-
Primary Industries	2,516	2,512	2,515	0.1
Sustainability and Environment	2,937	2,909	2,909	0.0
Transport	1,193	1,270	1,303	2.6
Treasury and Finance	583	710	717	1.0
Parliament	598	603	603	0.0
<b>Total</b>	<b>31,756</b>	<b>32,788</b>	<b>-</b>	<b>-</b>

**Notes:**

- (a) Excludes major agencies and schools, hospitals and aged care centres, and Victoria Police
- (b) Department of Health did not exist as a separate entity at 30 June 2009
- (c) Did not supply data for 2011

Source: Departmental responses to the Committee’s 2010-11 budget estimates questionnaire

It can be seen from Table 9.2 that the Department of Education and Early Childhood Development is the only department anticipating a reduction (almost 2 per cent) in estimated EFT staff numbers between June 2010 and June 2011. The Committee’s questionnaire did not seek an explanation for this and none was provided by the Department. The Committee notes from the data that were

provided that these reductions are across all VPS levels from 2 to 6 and affect both ongoing and fixed-term staff numbers.<sup>2</sup>

Six departments anticipated increases in EFT staff numbers during 2010-11, with the largest increases in the Department of Justice (3 per cent), the Department of Planning and Community Development (2.8 per cent) and the Department of Transport (2.6 per cent).

The 3 per cent increase in estimated EFT numbers between 2010 and 2011 in the Department of Justice translates to an additional 230 EFT staff. The Department advised that these positions, along with an additional 489 positions in Victoria Police, have been created in response to demand pressures faced by the Department as a result of population growth, changes in the demographics of the population (more young people in the high-offending age bracket), changes in the courts and prison systems, increased violence in public places, initiatives such as number plate recognition technology and new gambling arrangements, and increased natural emergencies resulting from climate change.<sup>3</sup>

The Department of Planning and Community Development estimates an increase of 31 EFT staff between June 2010 and June 2011. The Department advised the Committee that 30 new positions will be created to deliver a range of initiatives announced in the 2010-11 Budget.<sup>4</sup>

A similar number of positions, an additional 33 departmental staff (EFT), are expected to be created in the Department of Transport between June 2010 and June 2011. The Department indicated that the Government's investment in the State's transport services and infrastructure has created significant numbers of jobs outside the Department as well.<sup>5</sup>

It is not possible for the Committee to analyse the overall change in EFT staff expected across the departments in 2010-11, as estimates for 30 June 2011 were not provided by the Department of Health, the Department of Innovation, Industry and Regional Development and the Department of Premier and Cabinet. The Department of Health explained that it was unable to provide the data because there were insufficient historical data for this newly-formed department to apply forecasting techniques to.<sup>6</sup> The other two departments did not provide explanations as to why they could not provide details for 2011.

The lack of data from three departments reduces the Committee's ability to scrutinise whole-of-government trends in employment.

**Recommendation 24: All departments ensure that budget year employment number estimates are available to the Public Accounts and Estimates Committee in the future.**

2 Department of Education and Early Childhood Development, response to the 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.107)

3 Department of Justice, response to the 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.221)

4 Department of Planning and Community Development, response to the 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.244)

5 Department of Transport, response to the 2010-11 Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.343)

6 Department of Health, response to the 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.138)

### 9.2.3 Staff numbers in major budget-funded agencies

Table 9.3 shows data provided by departments on the actual and estimated EFT staff numbers for each of the major budget-funded agencies as at 30 June 2009, 2010 and 2011.

**Table 9.3: Staff numbers in major budget-funded agencies**

Agency	30 June 2009	30 June 2010	30 June 2011	Variation 2010-2011	
	(actual EFT)	(estimated EFT)	(estimated EFT)	(EFT)	(%)
Environment Protection Agency	404	416	412	-4	-1.0
Essential Services Commission	57	74	73	-1	-1.3
Parks Victoria	970	1,102	1,100	-2	-0.2
Public hospitals and aged care centres	72,224	73,957	75,437	1,480	2.0
Roads Corporation	3,035	3,078	3,044	-34	-1.1
Schools	52,487	53,124	53,245	121	0.2
State Revenue Office	455	473	462	-11	-2.3
Sustainability Victoria	134	150	139	-11	-7.3
Victoria Police	13,987	14,349	14,839	490	3.4
<b>Total</b>	<b>143,753</b>	<b>146,723</b>	<b>148,751</b>	<b>2,028</b>	<b>1.4</b>

Source: Departmental responses to the Committee's 2010-11 budget estimates questionnaire

Overall, there is expected to be an increase of 2,028 (1.4 per cent) EFT staff working in the major budget-funded agencies between 2010 and 2011. Most of this increase comes from public hospitals and aged care centres and Victoria Police. There is also some growth (0.2 per cent) in school staff.

However, all of the other agencies expect to experience a reduction in the number of EFT staff over 2010-11. The most significant percentage reduction in estimated EFT staff numbers occurs in Sustainability Victoria, with a 7.3 per cent decrease, followed by a 2.3 per cent decrease in EFT staff numbers in the State Revenue Office. In terms of actual numbers of people, the decreases represent a total of 63 EFT staff and the increases represent a total 2,091 EFT staff.

## 9.3 Securing and creating jobs in Victoria

The February 2010 *Annual Statement of Government Intentions* contains a chapter dedicated to ensuring that Victoria's economy is able to secure and create new job opportunities. The Government states in the document:<sup>7</sup>

*Securing jobs for today and creating new jobs for tomorrow are critical to making Victoria the best place to live, work, invest and raise a family.*

*The Government's ongoing commitment to sound financial management, strategic investment in infrastructure, skills training for the 21<sup>st</sup> century, diversified industries and exports, and actions to ensure a competitive business environment will secure long-term growth for Victoria's future.*

7 Victorian Government, *Annual Statement of Government Intentions*, February 2010, p.5

A number of the Government's initiatives to create and secure jobs in 2010-11 are discussed in Section 10.2 of Chapter 10.

As part of its 2010-11 budget estimates questionnaire, the Committee asked each department to provide information on the following:

- new initiatives in the 2010-11 Budget directed at securing or creating new jobs;
- jobs estimated to be secured in the Department in 2010-11;
- new jobs estimated to be created in the Department in 2010-11; and
- areas in which these have been secured or will be created.

The responses provided by departments varied from details of the specific number of jobs to be created, to estimated figures about job creation and some responses which indicated that definite numbers could not be determined at this stage. Full responses can be seen in Appendix 1 of the *Report on the 2010-11 Budget Estimates — Part One*.

A review of the responses indicated a number of specific policy initiatives and programs in 2010-11 which are directed at generating job creation within both the Victorian Public Service (VPS) and private sectors of the economy. Job creation through infrastructure projects is discussed in Section 10.2.3 of Chapter 10. Job creation in the service industries includes funding to:

- the Department of Education and Early Childhood Development to meet increasing demand for kindergarten enrolments, special education places and the establishment of the Victorian Deaf Education Institute;
- the Department of Human Services to boost and strengthen child protection services and out-of-home care services; and
- the Department of Justice to meet increasing demands for services as a result of population growth and natural emergencies caused through climate change.

Other initiatives aimed at creating jobs in the community include investment through the Department of Human Services in the *Disability Reform Program*, which will both secure existing jobs and create jobs in the non-government sector to provide disability support services in the community. Initiatives and programs funded through the Department of Planning and Community Development and the Department of Innovation, Industry and Regional Development are expected to create jobs within various community sectors throughout the State.

In addition, a number of departments indicated in their responses that continuing support for bushfire reconstruction will secure jobs in both the public and private sectors of the economy.

Initiatives to secure and create jobs in both the public and private sectors, as advised by departments in response to the Committee's budget estimates questionnaire, are listed in Table 9.4.

**Table 9.4: Initiatives to secure and create jobs in the 2010-11 Budget<sup>(a)</sup>**

<b>Department of Education and Early Childhood Development</b>	
Meeting increased demand for kindergarten enrolments	171 non-VPS jobs
Meeting increased demand from students with a disability	190 VPS jobs (in schools)
Student transport for students with a disability	124 non-VPS jobs
<i>Victorian Schools Plan</i> (building and construction)	680 non-VPS jobs
Bushfire response (building and construction)	155 non-VPS jobs
Other initiatives	2 VPS jobs and 22.6 non-VPS jobs
<b>Department of Health</b>	
New output jobs (hospital growth funding)	1,600 EFT
New asset jobs (the Department's capital program)	3,472 EFT
<b>Department of Human Services</b>	
Child protection	212 EFT
Out-of-home care	217.1 EFT
Sexual assault and child physical abuse	12 EFT
Youth Support	55 EFT
<i>Disability Reform Program</i>	56 jobs
<b>Department of Innovation, Industry and Regional Development</b>	
Departmental asset initiatives	405.6 EFT
Small Business Victoria and Workforce Victoria	24.5 EFT
<b>Department of Justice</b>	
Courts; Corrections; emergency management; Sheriff's Office; gaming; and strategic communications	238 EFT
Victoria Police	650 EFT
<b>Department of Planning and Community Development</b>	
Jobs will be created in the community in 2010-11 through the following initiatives: <ul style="list-style-type: none"> <li>• <i>Building Infrastructure for Growing Communities</i></li> <li>• <i>Transport Connections</i></li> <li>• <i>Urban Regeneration of Northern Geelong</i></li> <li>• <i>Planning Better Places</i></li> <li>• <i>Footscray Central Activity District</i></li> <li>• <i>Melbourne Park Redevelopment</i></li> <li>• <i>Green Skills for Trades</i></li> <li>• <i>Living Libraries Program</i></li> <li>• <i>Investment in Community Sport and Recreation Facilities</i></li> </ul>	460 jobs
New positions in the Department	30 jobs
<b>Department of Sustainability and Environment</b>	
Remedial works to Hume Dam	151 jobs
New initiatives in the 2010-11 Budget	200 jobs
Initiatives in the 2009-10 Budget Update as part of the <i>Jobs for the Future Economy</i> package	725 jobs

<b>Department of Transport</b>	
New transport initiatives (secured and created positions), including <i>Regional Rail Link</i>	4,200 jobs

Note: (a) Figures provided are absolute numbers, over varying numbers of years

Source: Departmental responses to the Committee's 2010-11 budget estimates questionnaire

Departments' response to the Committee's questions specifically about jobs that have been secured in the Department are listed in Table 9.5.

**Table 9.5: Secured jobs in Government departments in 2010-11<sup>(a)</sup>**

<b>Department of Education and Early Childhood Development</b>	
Nil identified	-
<b>Department of Health</b>	
Jobs mainly focussed around prevention and early intervention programs such as, <i>Go for your Life; Obesity Prevention Program; Quitline</i> counsellors; and nurses and allied health professionals to deliver Diabetes Self Management and Hepatology Nurses	28 EFT
<b>Department of Human Services</b>	
Jobs are secured in child protection and out-of-home care services and in support services to vulnerable families and young people	-
<i>The Disability Reform Program</i>	56 jobs
<b>Department of Innovation, Industry and Regional Development</b>	
<i>Skills Stores Plus</i>	95 jobs for six months
Supporting the growth of Victorian Aboriginal businesses	3 positions
<i>Victoriaworks for Indigenous Jobseekers Program</i>	1 position
<b>Department of Justice</b>	
The <i>Better Pathways</i> initiative. These jobs are in the Corrections portfolio, specifically in supporting programs in the women's prison system.	14 jobs
<b>Department of Premier and Cabinet</b>	
Victorian Bushfire Reconstruction and Recovery Authority	55 EFT
The State Library of Victoria	8 EFT
<b>Department of Primary Industries</b>	
The 'Invasive plant and animal biosecurity solutions to secure Victoria's future' initiative (regionally based service delivery positions in Biosecurity Victoria)	9.6 EFT
<b>Department of Sustainability and Environment</b>	
Various initiatives	2,909 EFT
<b>Department of Transport</b>	
The Department stated that it was not possible to determine with any confidence the contribution of secured jobs compared to created jobs	-
<b>Department of Treasury and Finance</b>	
<i>Greener Government Buildings</i> initiative, stage 2	250 jobs

Note: (a) Figures provided are absolute numbers, over varying numbers of years

Source: Departmental responses to the Committee's 2010-11 budget estimates questionnaire

Based on the information provided by departments, the Committee concluded that the 2010-11 Budget contains a number of new initiatives directed at creating new employment opportunities in the State. In addition, a number of service and program delivery jobs have been secured in the public sector through continued funding support. The Committee notes the importance of clear and comprehensive reporting about the Government's job creation and securing programs and has made several recommendations about that in Chapter 10.

## CHAPTER 10: THRIVING ECONOMY

### Key findings of the Committee:

- 10.1 A total of 115,800 jobs were created during the 2009-10 financial year, with 64 per cent of these being full-time jobs. This was 25,400 more than any other state or territory and represents around a third of all jobs created in Australia. This result exceeded the 2009-10 Budget target of securing 35,000 jobs through infrastructure investment.
- 10.2 Over the period from 1999-2000 to 2009-2010, Victoria has averaged annual employment growth of 2.1 per cent. The 2010-11 Budget forecasts that Victorian employment growth will ease slightly from 2.25 per cent in 2009-10 to 2.00 per cent in 2010-11. It is then forecast to be 1.75 per cent each year over the period 2011-12 to 2013-14.
- 10.3 Securing jobs is a key priority in the 2010-11 Budget. The Budget continues to focus on infrastructure investment to secure jobs, with a net infrastructure investment of \$9.5 billion expected to secure around 30,000 jobs in 2010-11.
- 10.4 In addition to public infrastructure projects, the 2010-11 Budget includes payroll tax cuts to support the creation of jobs and improve the competitiveness of Victorian business. Costing \$192.5 million over four years, payroll tax has been reduced from 4.95 per cent to 4.90 per cent, benefiting around 31,000 businesses.
- 10.5 Arguing that securing jobs now and into the future requires investment in green industries and new technologies, the Government released *Jobs for the Future Economy: Victoria's Action Plan for Green Jobs* in April 2010 which delivers \$175 million over five years to secure jobs in a low carbon economy. The Department of Sustainability and Environment estimates this will create 725 jobs for initiatives within the Department's responsibility.
- 10.6 To manage sustainable growth of Melbourne's suburbs, the *Melbourne @ 5 million* plan, released by the Government in December 2008, includes the development of six Central Activities Districts — Box Hill, Broadmeadows, Dandenong, Footscray, Frankston and Ringwood.
- 10.7 The total estimated investment across all six Central Activities Districts is around \$500 million. The 2010-11 Budget provides further funding of \$10.4 million over four years to undertake feasibility studies and stakeholder and community engagement programs.
- 10.8 The *Revitalising Central Dandenong* project, valued at \$290 million, is currently the largest of the six Central Activities District programs. The Government is contributing \$243.5 million with additional funding provided through developer contributions.
- 10.9 The Government expects that the *Revitalising Central Dandenong* project will create up to 5,000 new jobs, 4,000 new homes and generate more than \$1 billion in private investment in the city centre over the next 15 to 20 years.

**10.10 During 2010-11 the Auditor-General is conducting a performance audit on *Revitalising Central Dandenong*, which will examine whether the project is progressing as planned, how its success is being measured and whether the expected benefits are being or are likely to be realised. The Department of Planning and Community Development should, after sufficient lead time, conduct an evaluation of all Central Activities Districts initiatives to ensure that expected benefits are being or are likely to be realised.**

## 10.1 Introduction

In considering the budget estimates, the Committee asked a total of 120 questions pertaining to the ‘Thriving Economy’ vision of the *Growing Victoria Together* (GVT) initiative. This represented 28 per cent of all questions asked in the budget estimates hearings.

The answers provided at the hearings are contained in Appendix 2 of the *Report on the 2010-11 Budget Estimates — Part One* and in Appendix 1 of the *Report on the 2010-11 Budget Estimates — Part Two*.

The Committee’s 2010-11 Budget Estimates Questionnaire also contained questions on what new initiatives are contained in the 2010-11 Budget that are directed at securing jobs or creating new ones and the number of jobs that will be created or secured.

This chapter sets out an analysis of several key issues canvassed by the Committee at the budget estimates hearings relating to the Thriving Economy vision of *Growing Victoria Together*.

## 10.2 Securing jobs

### 10.2.1 Background

In terms of the Government’s priorities in the 2010-11 Budget, securing jobs is a key one. The 2010-11 Budget overview document, is titled *Standing Up for Families — Securing Jobs* and lists ‘*more jobs and a resilient, competitive Victorian economy*’ as one of the major Budget themes.<sup>1</sup>

The *Annual Statement of Government Intentions* (February 2010) also states:<sup>2</sup>

*Securing jobs for today and creating new jobs for tomorrow are critical to making Victoria the best place for people to live, work, invest and raise a family.*

This was reinforced at the budget estimates hearing by the Premier, who stated that:<sup>3</sup>

*I think you have seen in this budget again a very strong jobs-focussed budget.*

This theme is continued from the 2009-10 Budget, which also had a strong focus on jobs.<sup>4</sup>

1 Victorian Budget 2010-11 Overview, *Standing Up for Families — Securing Jobs*, pp.4–7

2 Victorian Government, *Annual Statement of Government Intentions*, February 2010, p.5

3 Hon. J. Brumby MP, Premier of Victoria, 2010-11 budget estimates hearing, transcript of evidence, 10 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.O4)

4 Budget Paper No.1, *2010-11 Treasurer’s Speech*, p.1

## 10.2.2 Employment growth

At the budget estimates hearings, the Committee was interested in trends regarding job creation.

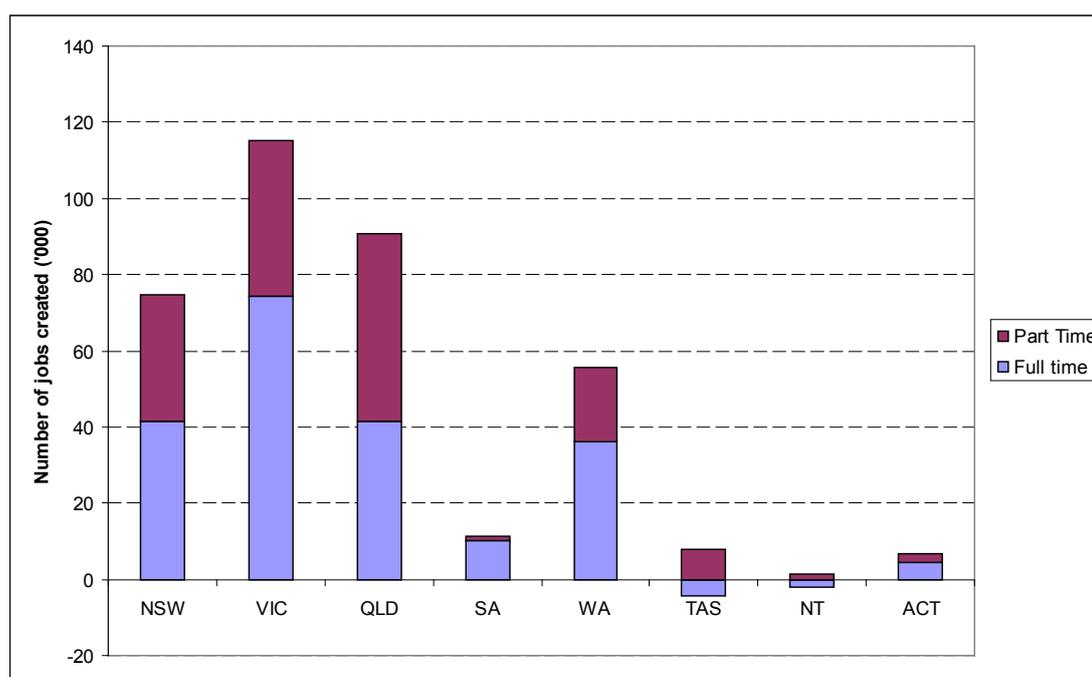
The Minister for Industry and Trade informed the Committee that the State had experienced strong jobs growth with a total of 99,400 jobs created over the last year to March 2010.<sup>5</sup> This was more than any other state.

The Minister also stated that the manufacturing sector and regional Victoria were benefiting from the jobs growth in Victoria:<sup>6</sup>

*We have seen jobs growth returning to the manufacturing sector, which is obviously very important for us here in Victoria, with an increase of 15,200 jobs in manufacturing. For regional Victoria it has also been a very strong story with 23,500 jobs created in regional Victoria, and a similar reduction in the unemployment rate in regional communities.*

Figure 10.1 shows the employment growth in 2009-10 for all states and territories.

**Figure 10.1: Jobs growth 2009-10**



Source: Australian Bureau of Statistics Cat. No. 6201.0

As shown in Figure 10.1, Victoria had strong jobs growth with an increase of 115,800 jobs during the 2009-10 financial year (64 per cent of these being full-time jobs). This was 25,400 more than any other state or territory and represents around a third of all jobs created in Australia.

5 Ms J. Allan MP, Minister for Industry and Trade, 2010-11 budget estimates hearing, transcript of evidence, 10 May 2010 (see Public Accounts and Estimates, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.E2)

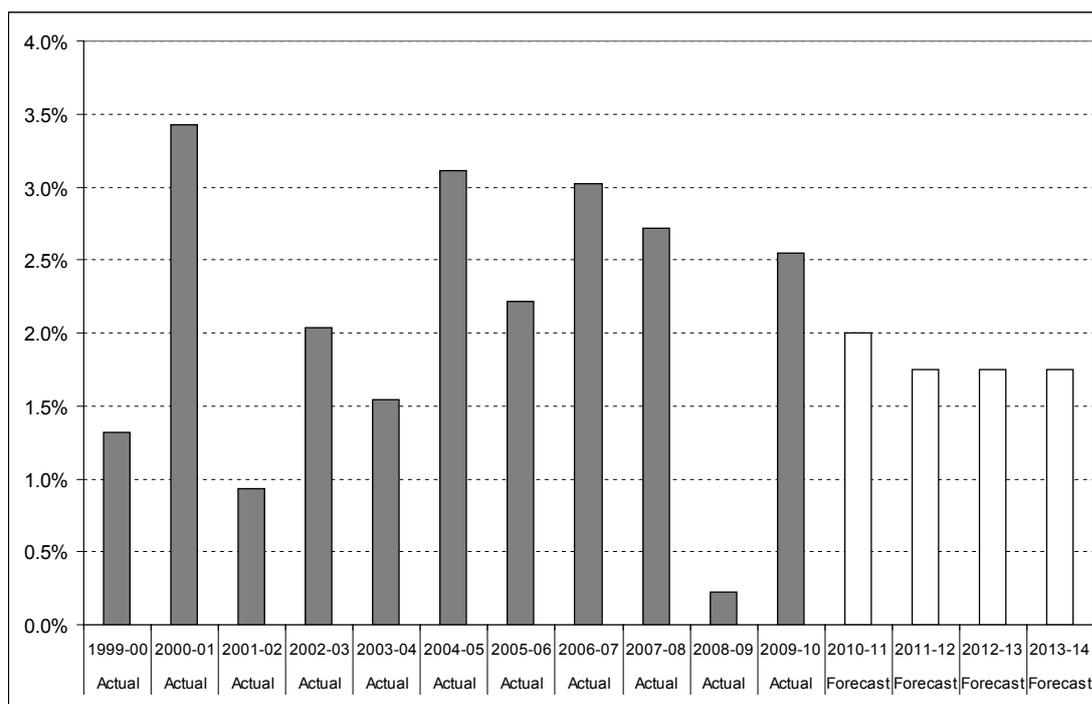
6 *ibid.*, p.E3

This result exceeded the 2009-10 Budget target to ‘secure 35,000 jobs’ associated with the various Government infrastructure projects.<sup>7</sup> The estimate was based on a methodology developed by the Department of Treasury and Finance.

The Government expects this jobs growth to continue. The Treasurer at the budget estimates hearings indicated that he expected 260,000 more jobs to be created over the next five years.<sup>8</sup>

Figure 10.2 shows the annual employment growth during the period 1999-2000 to 2013-14 for Victoria.

**Figure 10.2: Victoria: Annual employment growth 1999-00 to 2013-14**



Source: Australian Bureau of Statistics (Cat. No. 6291.0.55.001) June 2010; 2010-11 Budget Paper No.3, Service Delivery, p.364; Victorian Budget 2010-11 Overview, Standing up for families — securing jobs, p.5

Over the period from 1999-2000 to 2009-10, Victoria averaged annual employment growth of 2.1 per cent. The 2010-11 Budget forecasts (based on the Department of Treasury and Finance’s estimates) that the Victorian employment growth will ease slightly from 2.25 per cent in 2009-10 to 2.00 per cent in 2010-11. It is then forecast to be 1.75 per cent each year over the period 2011-12 to 2013-14.

### 10.2.3 Jobs target

The 2010-11 Budget continues the Government’s commitment to secure jobs through its infrastructure program. At the budget estimates hearing, the Premier informed the Committee that:<sup>9</sup>

7 Victorian Budget 2009-10 Overview, *Building Jobs. Building Victoria*, p.6

8 Mr J. Lenders MLC, Treasurer, 2010-11 budget estimates hearing, 11 May 2010, presentation, slide 16

9 Hon. J. Brumby MP, Premier of Victoria, 2010-11 budget estimates hearing, transcript of evidence, 10 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.O19)

*...in terms of our capital works program for the year, we are investing close to \$10 billion and we estimate that will produce on a very, very conservative basis, as you would know from the modelling, 30,000 jobs. That is a conservative estimate, and I think last year's experience shows our estimate was conservative as well and comfortably surpassed. All of this is important to sustaining confidence in our community.*

Some of the key job-creating infrastructure investments in the 2010-11 Budget include:

- *Victorian Schools Plan* — the Department of Education and Early Childhood Development estimates that 680 jobs will be created from 2010-11 Budget initiatives;<sup>10</sup>
- major hospital projects — the Department of Health estimates that 5,072 jobs will be created as a result of Hospital Growth Funding and the Department's capital program;<sup>11</sup>
- the Department of Planning and Community Development estimates that approximately 460 jobs will be created through various infrastructure initiatives;<sup>12</sup>
- *Victorian Transport Plan* — the Department of Transport estimates that approximately 4,200 will be secured and created from new initiatives, of which *Regional Rail Link* will need 2,800 jobs;<sup>13</sup> and
- major water projects — the Department of Sustainability and Environment estimates that 2,909 jobs will be secured in the Department and approximately 200 jobs created in 2010-11 as a direct result of the new initiatives announced in the Budget in 2010-11.<sup>14</sup>

From the responses to the Committee's 2010-11 budget estimates questionnaire, approximately 13,500 jobs will be created or secured from infrastructure investments in 2010-11 by departments. The Committee notes that this is less than half of the Government's estimate of 30,000 jobs outlined in the 2010-11 Budget. In the absence of further information, the Committee can only assume that non-departmental expenditure will support the remaining jobs or that additional jobs are produced from downstream or secondary effects.

**Recommendation 25: The Department of Treasury and Finance provide the Committee with detailed estimates underpinning the jobs target in the 2010-11 Budget.**

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- 10 Department of Education and Early Childhood Development, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.109)
- 11 Department of Health, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010, (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.141)
- 12 Department of Planning and Community Development, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010, (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.244)
- 13 Department of Transport, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 5 May 2010, (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.343)
- 14 Department of Sustainability and Environment, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 5 May 2010, (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.297)

The Committee also noted that in terms of setting a job target in the 2010-11 Budget, from its investment in infrastructure, the Government has used the wording ‘secure around 30,000 in jobs’.<sup>15</sup>

As highlighted by the Committee in its *Report on the 2009-10 Budget Estimates — Part Two*:<sup>16</sup>

*...the concept of securing or in other words saving/retaining existing jobs should not be confused with creating new jobs...*

It is the Committee’s view that the jobs target should be framed in a consistent manner. As noted in the *Report on the 2009-10 Budget Estimates — Part Two*:<sup>17</sup>

*The Committee maintains that when a target associated with a major policy initiative is set as part of the budget, it is essential that it be outlined in specific terms so that it is unambiguous and measurable from an accountability perspective.*

**Recommendation 26: When setting targets for major policy initiatives in the Budget, the target should be outlined in a consistent manner so that it is unambiguous and measurable from an accountability perspective.**

Although the Government’s main focus has been on infrastructure investment to secure jobs, the 2010-11 Budget also includes payroll tax cuts which will improve the competitiveness of Victorian business and support the creation of jobs.

Costing \$192.5 million over four years, payroll tax has been reduced from 4.95 per cent to 4.90 per cent, helping to create jobs by assisting businesses to remain competitive. It is estimated that around 31,000 businesses will benefit from the payroll tax cuts.<sup>18</sup>

At the budget estimate hearing the Treasurer provided an example of how payroll tax cuts assist businesses and creates jobs.<sup>19</sup>

*We brought down the headline rate, because that means 31 000 businesses will pay less payroll tax than they otherwise would have done...*

*If you were like the Boeing Corporation, which recently put 300 jobs into Melbourne rather than keeping them in Sydney, the determinant for a US company like Boeing would be they would look at payroll tax rates, workers compensation insurance rates and health insurance premiums. They would probably be the three things that they would look at as the headline rate in the boardroom in making a decision...*

*If you talk of 300 jobs at Boeing in Port Melbourne that will not just be jobs for that large international company; that will be many, many more jobs — the flow-on effect for small businesses who can actually operate off that.*

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15 Budget Paper Overview 2010-11, *Standing Up for Families — Securing Jobs*, p. 5

16 Public Accounts and Estimates Committee, *Report on 2009-10 Budget Estimates — Part Two*, October 2009, p.175

17 *ibid.*

18 Mr J. Lenders MLC, Treasurer, ‘Cutting taxes and keeping our economy competitive’, media release, 4 May 2010

19 Mr J. Lenders MLC, Treasurer, 2010-11 budget estimates hearing, transcript of evidence, 11 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.U28)

In addition the Government released *Jobs for the Future Economy: Victoria's Action Plan for Green Jobs*, in April 2010, which includes funding of \$175 million over five years to secure jobs in a low carbon economy:<sup>20</sup>

*Funding will stimulate new private sector investment, facilitate training for sustainability skills, fast track renewable energy projects, make government buildings more energy efficient and water efficient and help create thousands of jobs.*

The Department of Sustainability and Environment estimates this will create 725 jobs for initiatives within the Department's responsibility.<sup>21</sup>

## 10.3 Central Activities Districts

### 10.3.1 Introduction

In October 2002 the Government released *Melbourne 2030*, its long-term planning vision for Melbourne and the surrounding region. In the light of rapid population growth predicted in *Victoria in Future 2008*, the Government released *Melbourne @ 5 million* in December 2008.

To encourage and manage sustainable growth of Melbourne's suburbs, one of the key initiatives in *Melbourne @ 5 million* is the development of a multi-centre city through six Central Activities Districts — Box Hill, Broadmeadows, Dandenong, Footscray, Frankston and Ringwood.<sup>22</sup>

The Central Activities Districts initiative builds on the achievements of the *Transit Cities* program which also aimed to renew and revitalise urban areas through Government investment to encourage private sector commercial, retail and residential development.<sup>23</sup>

At the budget estimates hearing, the Committee was interested in how the Government was going to manage population growth through planning.

The Minister for Planning informed the Committee that the Government's Central Activities Districts initiative will provide:<sup>24</sup>

*....the opportunity to locate more intense housing and more job opportunities — particularly white collar jobs which are traditionally located in the centre of Melbourne — and deliver those like functions closer to where people live. We would see that as minimising congestion flows in and out of the Melbourne CBD. Also, those employment corridors will offer substantial increases in employment, housing and education, and they will link better, in a sense, to those growing outer areas, so that people are not necessarily having to commute from the outer areas of Melbourne right to central Melbourne; they can commute to some of those central activity districts.*

20 Budget Paper No.3, *2010-11 Service Delivery*, p.12

21 *ibid.*, p.297

22 Department of Planning and Community Development, *Melbourne @ 5 million*, December 2008, p.11

23 Department of Planning and Community Development, 'Central Activities Districts and Transit Cities', <[www.dpi.vic.gov.au/DSE/nrenpl.nsf/childdocs/-3AFDBF77580D7A93CA256D19002583CC-CB3A095B12F1DCC1CA256D190029AA6B](http://www.dpi.vic.gov.au/DSE/nrenpl.nsf/childdocs/-3AFDBF77580D7A93CA256D19002583CC-CB3A095B12F1DCC1CA256D190029AA6B)>, accessed 23 August 2010

24 Hon. J. Madden MLC, Minister for Planning, 2010-11 budget estimates hearing, transcript of evidence, 18 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Two*, p.M16)

The *Melbourne @ 5 million* plan states that Central Activities Districts will provide:<sup>25</sup>

- *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.*

These Central Activities Districts will become the epicentres for development and job creation in Melbourne.

### **10.3.2 Government funding for Central Activities Districts**

As the six Central Activities Districts were all initially part of the *Transit Cities* program, they have all received Government funding under this program.

Table 10.1 shows the planned work to be undertaken during 2010, funding allocated to June 2010 and the estimated expenditure for 2010-11.

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25 Department of Planning and Community Development, *Melbourne @ 5 million*, December 2008, p.11

**Table 10.1: Progress of work 2010**

Planned work	Funding allocated to June 2010	Estimated expenditure 2010-11
	(\$ million)	(\$ million)
<b>Box Hill</b> — Design the upgrade of the Box Hill bus interchange, complete the median upgrade in Whitehorse Road and commence work on the redevelopment of the Box Hill hospital.	24	-
<b>Broadmeadows</b> — Complete construction of Main Street extension works and prepare new planning controls for the central area.	80	8.2
<b>Dandenong</b> — Complete construction of the George Street Bridge, commence construction of the Dandenong Government Services Building, and implement other improvements to Lonsdale Street, City Street and the Station North precinct.	290 <sup>(a)</sup>	42.9
<b>Footscray</b> — Complete the new railway footbridge and commence construction of the station forecourt connecting to the mall.	52	9.5
<b>Frankston</b> — Complete the Kananook Creek Boulevard works and commence preparation of a long-term blueprint for the transport interchange precinct.	11	-
<b>Ringwood</b> — Commence construction of a new bus interchange and plaza at Ringwood Station and planning for works on Maroondah Highway.	44	17.2

Note: (a) The total project is valued at \$290 million with the Government contributing \$243.5 million and additional funding provided through developer contributions.

Sources: Victorian Government, *Annual Statement of Government Intentions, February 2010*, p.35; *Budget Paper No.3, 2010-11 Service Delivery*, p.338; *Budget Information Paper No.1, 2010-11 Public Sector Asset Investment Program*, pp.60, 139; Department of Planning and Community Development, 'Central Activities Districts and Transit Cities', <[www.dpi.vic.gov.au/DSE/nrenpl.nsf/LinkView/7EF2CA1E91EB87C3CA256D480003CEFFCB3A095B12F1DCC1CA256D190029AA6B](http://www.dpi.vic.gov.au/DSE/nrenpl.nsf/LinkView/7EF2CA1E91EB87C3CA256D480003CEFFCB3A095B12F1DCC1CA256D190029AA6B)>, accessed 23 August 2010

In addition, the 2010-11 Budget provides further funding of approximately \$10.4 million over four years for planning and development of the Central Activities Districts. This does not include major asset funding included in the forward estimates for projects in these centres (e.g. the Box Hill Hospital with a TEI of \$407.5 million).

According to the Minister for Planning:<sup>26</sup>

*These funds will be used initially to undertake feasibility studies and stakeholder and community engagement programs, with a view to increasing development activity and housing and employment outcomes in these key areas.*

As each Central Activities District is different in its role, local conditions and opportunities, the Government will tailor its support for each centre as it develops.<sup>27</sup>

26 Hon. J. Madden MLC, Minister for Planning, 2010-11 budget estimates hearing, transcript of evidence, 18 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Two*, p.M17)

27 Department of Planning and Community Development, *Central Activities District Fact sheet*

As individual feasibility studies are completed, the Committee believes that it is important that the Government respond in a timely way to project proposals, including outlining specific timetables for project commencement, implementation and completion.

### **10.3.3 Revitalising Central Dandenong**

At the budget estimates hearing covering the Treasury portfolio, the Committee was interested in what works are being done and how much is being invested in revitalising central Dandenong. The Treasurer brought to the Committee's notice that the *Revitalising Central Dandenong* project:<sup>28</sup>

*... is a \$290 million investment.*

*... involved a fair amount of consolidation and infrastructure work in the centre of Dandenong itself and that it is moving forward, and rapidly.*

*... is now coming through its critical years and moving forward, and we are seeing the private sector and community embrace it, now that we are seeing actual results on the ground, far more than it may have in the early years of implementation.*

As is evident from Table 10.1, the largest project currently underway is *Revitalising Central Dandenong*, with a total project value of \$290 million.<sup>29</sup> It is the largest urban renewal project since the Melbourne Docklands.<sup>30</sup>

The 2010-11 Budget shows that expenditure to 30 June 2010 amounted to \$175.8 million with an estimated expenditure of \$42.9 million allocated for 2010-11 and a further \$24.7 million remaining.<sup>31</sup>

Figure 10.3 shows the four major planned improvements.

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28 Mr J. Lenders MLC, Treasurer, 2010-11 budget estimates hearing, transcript of evidence, 11 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.U14)

29 Budget Information Paper No.1, *2010-11 Public Sector Asset Investment Program*, p.139

30 Hon. J. Madden MLC, Minister for Planning, 'Revitalising Central Dandenong Takes Another Big Step', media release, 17 October 2008

31 Budget Information Paper No.1, *2010-11 Public Sector Asset Investment Program*, p.5

**Figure 10.3: Planned improvements in central Dandenong**

- 1 Revitalisation of Lonsdale Street** to become one of Melbourne's great boulevards and an iconic, central meeting place. Construction commences in early 2009.



- 3 Creation of a public plaza at Dandenong Station.** The space is intended as a vibrant meeting place with opportunities for events and festivals.



- 2 The George Street Bridge\*** is a new gateway to Central Dandenong. With the opening of Eastlink, the bridge will provide more direct access to central Dandenong for business, visitors and local community from Melbourne CBD and metro areas as well as the greater south-east. The project is being delivered by VicRoads and will commence construction in early 2009.



- 4 Reshaping of the city space** from Dandenong Station through to Lonsdale Street to better connect people from station to city centre. Pedestrians and cyclists will flow more directly and safely through new landscaping, shops, businesses and dining.

\*Working title

Source: VicUrban, *Our City, Community and Future*, p.3

It is estimated that the revitalisation will help to create up to 5,000 new jobs, 4,000 new homes and generate more than \$1 billion in private investment in the city centre over the next 15 to 20 years.<sup>32</sup> VicUrban considers that this process has already begun:<sup>33</sup>

*The \$45 million Arkana development commenced by Deal Corporation and the \$15 million Grenda's bus facility demonstrated the first significant private sector investment in line with the revitalisation.*

32 Mr J. Madden MLC, Minister for Planning, 'Revitalising Central Dandenong Takes Another Big Step', media release, 17 October 2008

33 VicUrban, *2008-09 Annual report*, p.9

The Committee believes it would improve accountability if VicUrban reported on progress in meeting job and private sector investment targets.

**Recommendation 27: VicUrban develop processes for measuring and reporting in its annual financial report the extent of jobs creation and private sector investment in central Dandenong.**

#### **10.3.4 Victorian Auditor-General's annual plan 2010-11**

The Committee noted the Auditor-General's 2010-11 annual plan includes a prospective area of audit which deals with Central Activities Districts. The performance audit on *Revitalising Central Dandenong* will examine whether the project is progressing as planned, how its success is being measured, and whether the expected benefits are being or are likely to be realised.

The Committee considers that once the performance audit on *Revitalising Central Dandenong* is completed, the findings and any recommendations should be considered in any future Budget decisions relating the Central Activities Districts in Box Hill, Broadmeadows, Footscray, Frankston and Ringwood.

In addition, the Committee considers that the Department of Planning and Community Development should, after sufficient lead time, conduct an evaluation of the Central Activities Districts initiative in Box Hill, Broadmeadows, Footscray, Frankston and Ringwood to ensure expected net benefits and outcomes are being or are likely to be realised.

**Recommendation 28: As the Central Activities District initiative unfolds, the Department of Planning and Community Development include a progress report in its annual report disclosing expected net benefits and outcomes and any revisions from previously reported net benefits and outcomes.**

## CHAPTER 11: QUALITY HEALTH AND EDUCATION

### Key findings of the Committee:

- 11.1 Increased pressure is being put on Victoria's health system from population growth, changing demographics, an increase in patients with more complex needs and new technology. The Government has responded to these pressures with increased funding and with reforms.
- 11.2 The 2010-11 Budget provides for \$12.3 billion worth of health and aged care outputs, a 9 per cent increase on the revised estimate for 2009-10. This equates to \$2,236 per Victorian.
- 11.3 Two major changes took place in 2009-10 — the establishment of the Department of Health as a separate department; and a new *National Health and Hospitals Network* agreed to by the Commonwealth and all states except Western Australia.
- 11.4 The 2010-11 Budget contains initiatives to fund \$2.3 billion (TEI) worth of capital works projects in hospitals. This is a significant increase on previous budgets and will provide for improved hospitals in both metropolitan Melbourne and regional and rural areas.
- 11.5 Around 84 per cent of the funding is for three projects — a new Bendigo Hospital (\$473.0 million), redevelopment of the Box Hill Hospital (\$407.5 million) and the new Parkville Comprehensive Cancer Centre (\$1,071.2 million). With such large and important projects, the Committee emphasises the importance of publishing the details of plans and of the Department providing regular progress reports to the public.
- 11.6 The Government has acknowledged the importance of recognising the special needs of regional and rural Victoria regarding the health system. The Committee was pleased to see the new Budget Information Paper No.2 break down asset investment into the categories of regional and rural Victoria, and metropolitan Melbourne. The Committee considers that a similar break-down of output initiatives would also be appropriate. To ensure that programs are being implemented in ways appropriate to regional and rural Victoria, it is also important for the Department of Health to report its success against key performance measures separately for metropolitan Melbourne and regional and rural Victoria.
- 11.7 Significant amounts of money are being invested in school infrastructure, coming largely through the State-funded *Victorian Schools Plan* and the Commonwealth-funded *Building the Education Revolution*. Additional funding through these programs was provided in the 2010-11 Budget.
- 11.8 A number of policy documents for early childhood education have been released in 2009-10 at both the State and Commonwealth levels. The Committee commends the Department of Education and Early Childhood Development for its efforts in providing clear and transparent policy alignment within its documents.

**11.9 Victoria’s growing population and agreements by the Council of Australian Governments (COAG) mean that there is a need to significantly expand the State’s kindergarten programs. Funding in the 2010-11 Budget has been provided to increase the number of kindergarten places, train more early childhood teachers and conduct research on local government areas’ needs and how best to address them. The Committee considers it important that progress towards the COAG goals be monitored and reported on a regular basis, along with the results of the Department’s research.**

## 11.1 Introduction

At the budget estimates hearings, the Committee asked 76 questions relating to the ‘Quality Health and Education’ vision of *Growing Victoria Together*. This represents 17 per cent of all questions asked at the hearings.

The answers provided at the hearings can be seen in the transcripts of evidence in the appendices of parts one and two of the *Report on the 2010-11 Budget Estimates*.

This chapter provides an analysis of three of the key issues affecting the Quality Health and Education vision in the 2010-11 Budget:

- health reform;
- capital works in hospitals; and
- early childhood education.

## 11.2 Health reform

The Minister for Health has identified four major factors leading to increased pressure on the Victorian health system:<sup>1</sup>

- population growth;
- changing demographics including an ageing population;
- an increase in patients with more complex health needs; and
- new medical technologies.

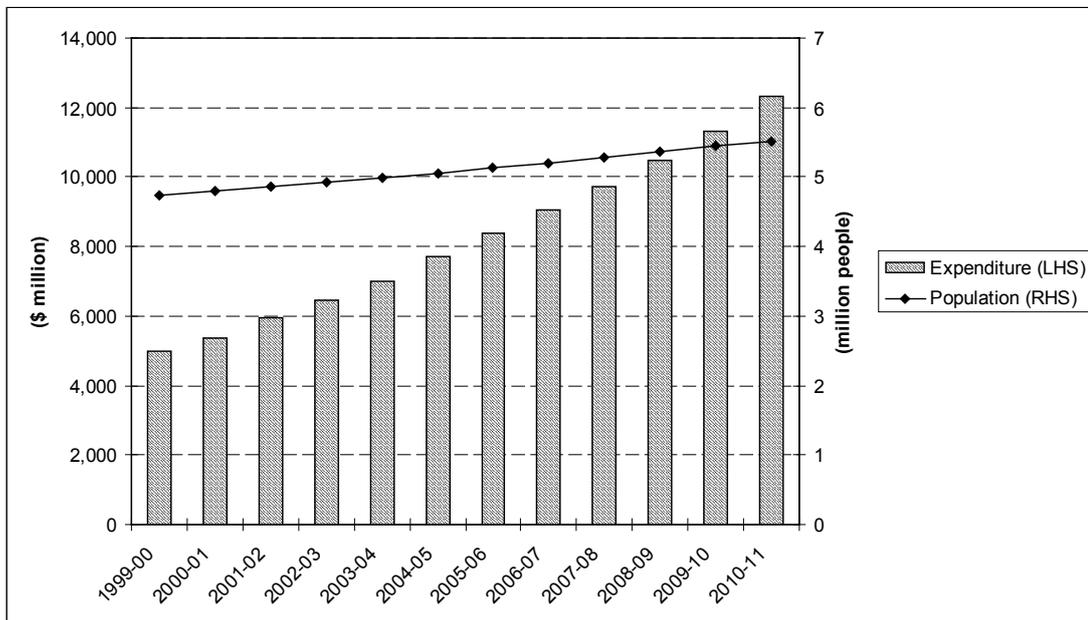
These factors lead to both an increased demand on the system and increased costs. The 2010-11 Budget provides for outputs with a total cost of \$12.3 billion, which represents a 9 per cent increase on the revised estimate for 2009-10.<sup>2</sup> The increase is part of a steady growth in expenditure on health outputs since 1999-2000, as can be seen in Figure 11.1. Moreover, it can be seen from that figure that the growth in funding is significantly more than just keeping up with the

1 Hon. D. Andrews MP, Minister for Health, 2010-11 budget estimates hearing, 12 May 2010: presentation, slide 2; and transcript of evidence (Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.B2); see also the Department’s response to the Budget Estimates Questionnaire (Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, pp.114–5)

2 Budget Paper No.3, *2010-11 Service Delivery*, p.77

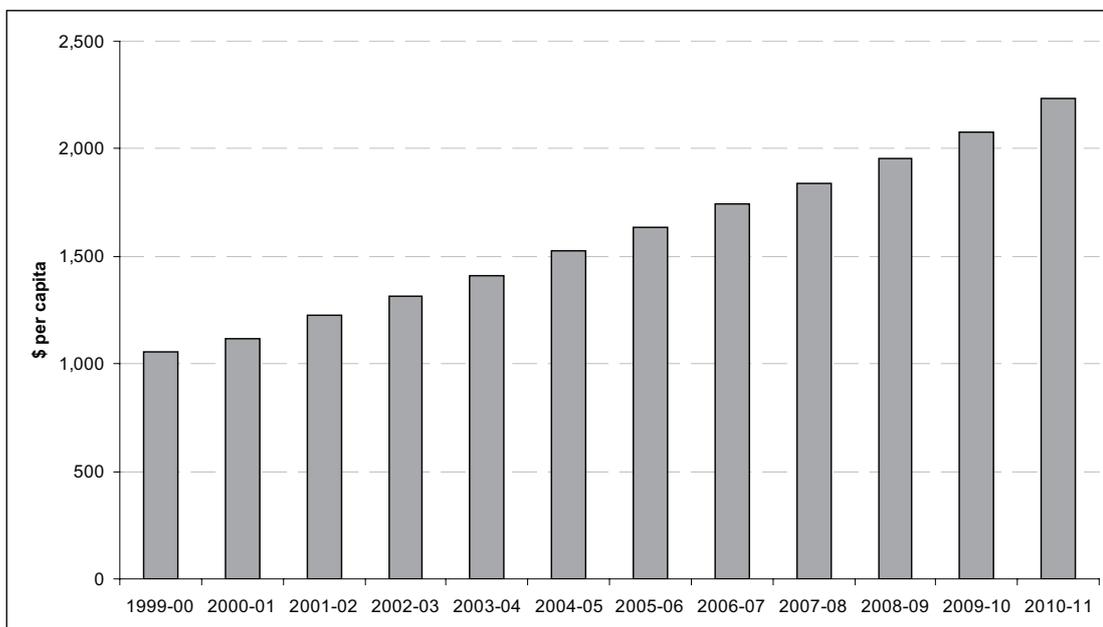
rising population. Annual expenditure per capita has more than doubled since 1999-2000, from \$1,056 to \$2,236 (see Figure 11.2).

**Figure 11.1: Expenditure on health and aged care compared to Victoria's population 1999-2000 to 2010-11**



Sources: Hon. D. Andrews MP, Minister for Health, 2009-10 budget estimates hearing, presentation, 12 May 2010, slide 8; Australian Bureau of Statistics Cat. no. 3101.0 for 2000-2006; Cat. no. 3222.0 (series B) for 2007-2011 (all population estimates are for June of the relevant year)

**Figure 11.2: Expenditure on health and aged care per capita 1999-2000 to 2010-11**



Sources: Hon. D. Andrews MP, Minister for Health, 2009-10 budget estimates hearing, presentation, 12 May 2010, slide 8; expenditure per capita calculated by the Committee using population data from Australian Bureau of Statistics Cat. no. 3101.0 for 2000-2006; Cat. no. 3222.0 (series B) for 2007-2011 (all population estimates are for June of the relevant year)

Two major changes to health services in Victoria occurred in 2009-10. Firstly, a new Department of Health was created in August 2009. Secondly, a new *National Health and Hospitals Network* was agreed to by the Commonwealth and all states except Western Australia in April 2010. This included the development of a plan by Victoria called *Putting Patients First*.

In April 2010, the Victorian Government released its plan for reforming Commonwealth-State relations in the healthcare area — *Putting Patients First*. Following negotiations, the Council of Australian Governments (COAG), with the exception of Western Australia, agreed to a new framework for healthcare funding which includes a number of the reforms suggested by Victoria. At the budget estimates hearing, the Premier explained:<sup>3</sup>

*We came out of those COAG negotiations with more than \$900 million of additional funding for our health system in Victoria. If you take some of the non government agencies receiving funding, it is well over \$1 billion of additional funding over the forward estimates period, and we received a guarantee of the \$3.8 billion post 2013-14.*

*In addition, we won the argument on many of the reforms, so the state will continue to be the manager of the system. Funding to health networks will be paid through a joint commonwealth state pool, as we argued. We saw further improvements in the preventive health area, as we argued, to give a clearer continuum from preventive health through to hospitals, and in addition we got 332 extra acute or sub acute hospital beds. The consequence is that we are going to see 150 000 Victorian patients who currently wait too long in emergency departments each year who will be treated within the recommended time frames. There will be quicker elective surgery — something like 34 000 patients over the next four years — and the 332 extra sub acute beds will mean we can provide rehab and longer term support again for something like an extra 5000 patients.*

*If you add that to the extra \$45 million we announced before the budget for additional elective surgery — I think another 9000 elective surgeries — from our own purpose funding, all of this will give us a much stronger health system running into the future.*

Importantly, the new arrangement includes the Commonwealth contributing the difference between the GST growth rate and the growth in health costs from 2014-15 to 2019-20, which means at least \$3.8 billion for Victoria.<sup>4</sup>

Along with the other budget papers, the Government released a Budget Information Paper No.2 in May 2010, titled *Putting Patients First*, outlining the results of the COAG agreement and the Victorian Government's plans. The Committee welcomes the publication of this document with the budget papers, as it provides significantly more transparency in this area than would be available from just the regular budget papers. The Committee suggests that the Government look for other areas in future budgets where additional information papers may be valuable. Regional and rural matters is one such area where a dedicated statement would be of value, as has been previously recommended by the Committee.<sup>5</sup>

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3 Hon. J. Brumby MP, Premier of Victoria, 2010-11 budget estimates hearing, transcript of evidence, 10 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.O27)

4 Council of Australian Governments, *Communiqué*, 19-20 April 2010, p.6; Budget Information Paper No.2, *Putting Patients First*, p.15

5 Public Accounts and Estimates Committee, *New Directions in Accountability — Inquiry into Victoria's Public Finance Practices and Legislation*, June 2009, p.30

The Committee notes that the COAG agreement includes the development of new reporting measures and the creation of a new, independent National Performance Authority from 1 July 2011.<sup>6</sup> The Department of Health explained that:<sup>7</sup>

*As a result of the COAG reforms announced on 20 April 2010, the new National Health and Hospitals Network will have a new Performance and Accountability Framework which includes:*

- *A continuance of reporting against the national performance indicators for the National Healthcare Agreement (NHA)*
- *Quality and Safety standards developed by the Australian Commission on Safety and Quality in Health Care (ACSQHC)*
- *New Hospital Performance reports and Health Communities reports providing reporting on the performance of Local Health Networks, private hospitals and Primary Health Care Organisations (PHCOs).*

*There will also be a set of additional measures phased in over the next four years for elective surgery and emergency departments.*

The Committee expects that when these measures have been established, the Department of Health will review its performance measures to ensure that they are consistent and complement the Commonwealth measures. The Committee anticipates reviewing the Department's measures in this light in due course.

**Recommendation 29: The Department of Health undertake a substantial review of its performance measures to ensure that:**

- (a) the measures reflect the improvements anticipated in creating the new Department of Health; and**
- (b) the measures are consistent with, and complement, the new national Performance and Accountability Framework.**

### 11.3 Capital works in hospitals

The 2010-11 Budget<sup>8</sup> contains initiatives to fund capital works in hospitals with a total estimated investment (TEI) of \$2.3 billion. This is a significant increase on the amount of funding provided in the last three budgets (see Table 11.1).

6 Council of Australian Governments, *Communiqué*, 19-20 April 2010, p.7; Council of Australian Governments, *National Health and Hospitals Network Agreement*, p.41

7 Department of Health, response to the Committee's 2010-11 Budget Estimates Questionnaire – Part A, received 28 April 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, pp.111–12)

8 including initiatives in the *2009-10 Budget Update*

**Table 11.1: Health asset initiatives in Budgets from 2007-08 to 2010-11**

	2007-08 Budget (\$ million TEI)	2008-09 Budget (\$ million TEI)	2009-10 Budget (\$ million TEI)	2010-11 Budget (\$ million TEI)
Regional projects	89.0	160.2	153.3	649.9
Metropolitan projects	195.3	271.3	79.0	1,668.4
State-wide	250.0	63.8	14.0	0
Total	534.3	495.3	246.3	2,318.3

Source: *Budget Paper No.3, 2007-08 to 2010-11*

As can be seen from Table 11.1, the 2010-11 Budget provides a significant boost for infrastructure spending for both metropolitan Melbourne and regional Victoria. The Premier indicated that these programs are important in providing the dual benefits of improved healthcare for the State and also jobs in the construction industry.<sup>9</sup>

### 11.3.1 The largest projects

Of the \$2.3 billion funding for capital works in hospitals, 84 per cent is allocated to three projects:

- a new Bendigo Hospital (\$473.0 million TEI);
- redevelopment of the Box Hill Hospital (\$407.5 million TEI); and
- the new Parkville Comprehensive Cancer Centre (\$1,071.2 million TEI).

#### ***Bendigo Hospital***

The \$473.0 million (TEI) new Bendigo Hospital is the largest regional hospital project ever undertaken in Victoria and the third largest health capital works project ever undertaken in Victoria.<sup>10</sup> The project is designed to provide additional capacity (including for chemotherapy, radiotherapy, renal dialysis, emergency patients and mental health patients), additional operating theatres, a new dedicated mental health facility, a women's and children's facility and a helipad.<sup>11</sup> This project is discussed further in Section 8.5.1 of Chapter 8.

#### ***Box Hill Hospital***

The Box Hill Hospital project has a TEI of \$407.5 million and will build on previous initiatives (\$38.2 million announced in the 2006-07 Budget and \$8.5 million in the 2008-09 Budget).<sup>12</sup>

9 Hon. J. Brumby MP, Premier of Victoria, 2010-11 budget estimates hearing, transcript of evidence, 10 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.O13)

10 Hon. D. Andrews MP, Minister for Health, 2010-11 budget estimates hearing, transcript of evidence, 12 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.B9); Budget Paper No.3, *2010-11 Service Delivery*, p.17

11 Hon. D. Andrews MP, Minister for Health, 2010-11 budget estimates hearing, transcript of evidence, 12 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, pp.B10, 32); Department of Health, '\$473 million for the development of the new Bendigo Hospital' <[www.health.vic.gov.au/news/bendigo\\_hospital.htm](http://www.health.vic.gov.au/news/bendigo_hospital.htm)>, accessed 5 August 2010

12 Budget Paper No.3, *2006-07 Service Delivery*, p.301; Budget Paper No.3, *2008-09 Service Delivery*, p.315

The Minister explained that the new initiative will see:<sup>13</sup>

*... [a] doubling the floor space of the current Box Hill Hospital where we take down the Clive Ward building, we then expand that footprint and build a new tower, and we then — and I make absolutely no apology for this — refurbish the best of the current fabric, and again this is not a coat of paint. This is a substantial refurbishment, and doing that allows additional theatres, it allows better ambulatory care space, better outpatient space.*

The Minister also explained that this project has multiple goals: *‘it will mean more patients in Melbourne’s east get treated faster; it will improve quality; it will be a better place to work as well; there are also many jobs that will be created as part of this important project.’*<sup>14</sup>

### **The Parkville Comprehensive Cancer Centre**

The Parkville Comprehensive Cancer Centre has a TEI of \$1,071.2 million, which is composed of \$426.1 million from each of the Commonwealth and State governments and \$219.0 million from non-government sources.<sup>15</sup> The Centre is designed to bring together research and treatment, providing *‘the latest cancer treatments, improved access to clinical trials, and improved skills of Victoria’s cancer workforce.’*<sup>16</sup> The completion of planning for the Centre is one of the targets in *Victoria’s Cancer Action Plan 2008-2011.*<sup>17</sup>

At the budget estimates hearing, the Premier stated his intention for this centre to be one of the world’s ten best cancer research and treatment facilities.<sup>18</sup> The Treasurer explained that:<sup>19</sup>

*If we can have this in the top 10 in the world, it means we will get a lot better researchers and cancer treatment professionals in the centre, which is something which is not just good for treatment but also good for the biotech advancement that we can do as a job creator in Victoria. The research out of this will be a very powerful contributor to treating patients in innovative ways into the future.*

The Government intends to supply the Centre through a public private partnership, which will mean:<sup>20</sup>

*A private consortium will design, build, finance and maintain the centre’s facilities, with responsibility of all core clinical, research and education services to be retained by the project partners, including the State. Upon commencement of operations, Government will subsequently begin quarterly payments to the private consortium,*

13 Hon. D. Andrews MP, Minister for Health, 2010-11 budget estimates hearing, transcript of evidence, 12 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.B40)

14 *ibid.*

15 Budget Paper No.3, *2010-11 Service Delivery*, p.310

16 Budget Paper No.3, *2010-11 Service Delivery*, p.313

17 Department of Human Services, *Victoria’s Cancer Action Plan 2008-2011*, December 2008, p.62

18 Hon. J. Brumby MP, Premier of Victoria, 2010-11 budget estimates hearing, transcript of evidence, 10 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.O13)

19 Mr J. Lenders MLC, Treasurer, 2010-11 budget estimates hearing, transcript of evidence, 11 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.U27)

20 Partnerships Victoria, ‘Parkville Comprehensive Cancer Centre (Parkville CCC)’ <[www.partnerships.vic.gov.au/CA25708500035EB6/0/23BC9761210B6BD0CA25766B0004EAEA](http://www.partnerships.vic.gov.au/CA25708500035EB6/0/23BC9761210B6BD0CA25766B0004EAEA)>, accessed 11 August 2010

*which will be dependent on attainment of key performance indicators relating to ongoing service provision.*

The Committee notes that the Auditor-General tabled a report on the public private partnership for the new Royal Children’s Hospital in May 2009. The Committee hopes that the recommendations from this report have been incorporated into the Department’s planning for the Parkville Comprehensive Cancer Centre.

### **Progress reporting**

These projects are significant and are among the largest infrastructure projects currently underway in Victoria, especially the \$1.1 billion Parkville Comprehensive Cancer Centre. As such, it is important that there be detailed public reporting on the progress of these projects as they develop.

All three projects are anticipated to take place over a number of years. In the case of the new Bendigo Hospital, in fact, the majority of funding is for beyond the forward estimates period. Budget Paper No.3 provides us with some information about the proportion of TEI expected to be expended in each financial year for each project (see Table 11.2).

**Table 11.2: Proportion of expenditure by year for Bendigo Hospital, Box Hill Hospital and the Parkville Comprehensive Cancer Centre projects**

Project	2009-10	2010-11	2011-12	2012-13	2013-14	Later years	Total
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Bendigo Hospital	0.0	1.7	3.2	7.4	29.2	58.6	<b>100</b>
Box Hill Hospital	0.3	4.9	13.7	24.5	29.4	27.0	<b>100</b>
Parkville Comprehensive Cancer Centre	0.6	9.9	18.4	40.5	25.7	4.9	<b>100</b>

Source: Based on figures in Budget Paper No.3, 2010-11 Service Delivery, p.309

The Committee notes that the Department of Health has created specific webpages for both the Box Hill Hospital project and the Parkville Comprehensive Cancer Centre. The Committee also notes that the main webpage for Box Hill Hospital includes a timeline. These are all good steps in terms of providing transparency and accountability.

However, the Committee notes that, while Bendigo Health has produced a website for the new Bendigo Hospital,<sup>21</sup> at August 2010, there was not a dedicated webpage for the Bendigo Hospital project on the Department of Health’s website. Moreover, the Committee notes that the timeline for the Box Hill Hospital project on the website only has three milestones on it, the latest of which is mid 2011 (on a project which is not expected to be completed until 2015).<sup>22</sup> No milestones are published on the Parkville Comprehensive Cancer Centre’s webpage.

The Committee appreciates that these projects are still in the early stages, but considers that it would be appropriate from an accountability perspective for all three projects to have their own webpages maintained by the Department of Health and for detailed information about milestones and their target dates to be published for all projects as soon as possible.

21 Bendigo Health, ‘The New Bendigo Hospital’ <[www.newbendigohospital.org.au/](http://www.newbendigohospital.org.au/)>, accessed 16 August 2010

22 Department of Health, ‘Box Hill Hospital Redevelopment project’ <[www.health.vic.gov.au/boxhill/](http://www.health.vic.gov.au/boxhill/)>, accessed 16 August 2010

**Recommendation 30: The Department of Health maintain webpages for each of its three main capital works projects, including progress milestones with target dates for each as soon as they are available.**

In addition to publishing the milestones and target dates, it is also important for the Department to report on actual performance relative to those targets, as well as performance compared to budget. This is in line with previous recommendations from the Committee. The Government accepted in principle the Committee's recommendation from its Inquiry into the 2009-10 Budget Estimates that public sector agencies report on the progress of asset investment projects in annual reports, adding that the Department of Treasury and Finance will review reporting directions in the context of the Public Finance and Accountability Bill 2009.<sup>23</sup>

The Committee considers that these three capital works projects are particularly appropriate for progress reporting, given their size and importance. The significant increase in asset investment in the health area (see Table 11.1), means that there is an increased need for transparency and accountability.

The Committee notes that the Department of Transport, which has responsibility for a number of particularly large infrastructure projects, has a number of timeliness performance measures in its output statements in the budget papers. The Committee considers that it would be appropriate for the Department of Health to develop similar measures for its major projects.

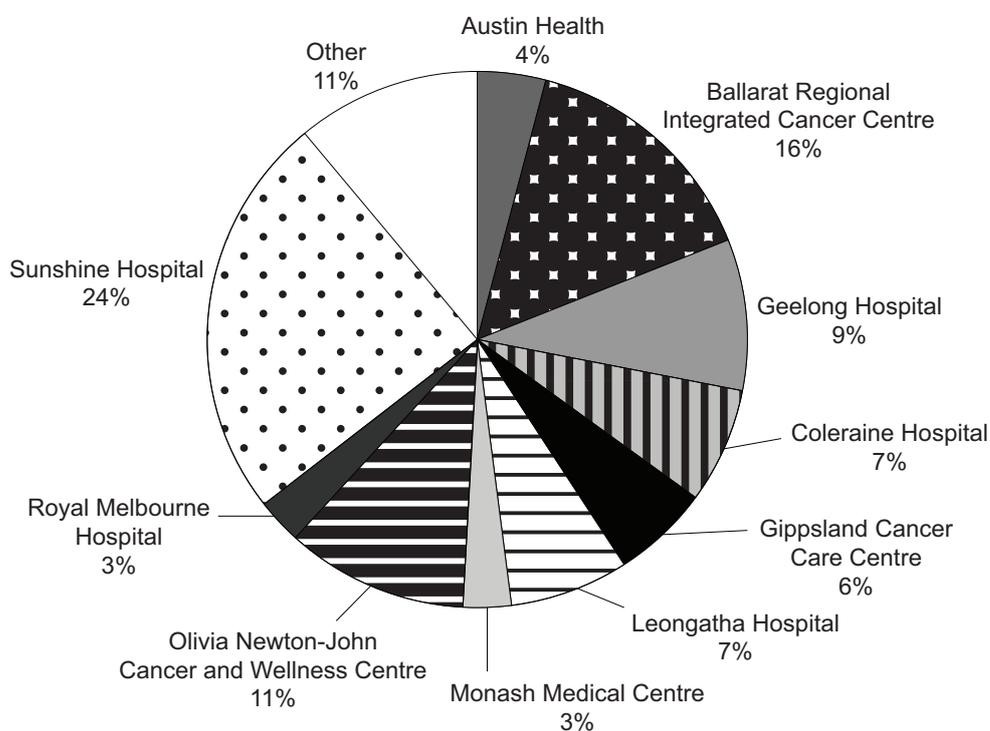
**Recommendation 31: The Department of Health report annually on the progress against timelines and budget of its largest capital works projects. This progress information should be included in the Department's annual reports and the Department should consider developing appropriate performance indicators for these projects for inclusion in the budget papers, following the model of the Department of Transport.**

### **11.3.2 Other projects**

In addition to the three largest hospital capital works programs, the Government also announced a significant number of other asset investment initiatives (mostly capital works) in the 2010-11 Budget. These projects have a TEI of \$367.9 million and are spread across a number of hospitals around the State. The largest projects are indicated in Figure 11.3.

23 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates — Part Two*, October 2009, p.69 (see Appendix 3 of this report)

**Figure 11.3: Capital works initiatives in hospitals in the 2010-11 Budget — TEIs as a proportion of the total TEI of health infrastructure projects (excluding Bendigo Hospital, Box Hill Hospital and the Parkville Comprehensive Cancer Centre)**



Source: Budget Paper No.3, 2010-11 Service Delivery, pp.309–14

### 11.3.3 Regional hospitals

The Government released its vision, *Rural Directions — For a Stronger Healthier Victoria*, in October 2009 as an update of *Rural Directions for a Better State of Health*. This vision statement listed a number of directions and strategies for rural health services. One of the principles for rural health system planning, development and provision is that ‘Victorians living in rural areas should expect to have the majority of their care needs met by services in their own region.’<sup>24</sup> This goal was mirrored at the budget estimates hearing, where the Minister for Health advised the Committee that ‘providing the right care in the right place at the right time is a key goal, and is a core value in terms of driving our health service performance.’<sup>25</sup>

To achieve this, it is important to recognise the needs and issues of regional and rural Victoria. In response to the budget estimates questionnaire, the Department of Health advised that it considered the following to be the critical issues facing regional and rural communities in 2010-11:<sup>26</sup>

24 Department of Health, *Rural Directions — For a Stronger Healthier Victoria*, October 2009, p.vii

25 Hon. D. Andrews MP, Minister for Health, 2010-11 budget estimates hearing, transcript of evidence, 12 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.B3); similar words appear in Victorian Government, *Annual Statement of Government Intentions*, February 2010, p.49

26 Department of Health, response to the Committee’s 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.129)

- *health needs of rural and regional Victorians*
- *timely access to appropriate rural and regional hospital services*
- *physical capacity and the fabric of rural hospitals/health services for Victorians*
- *recruitment and retention of health professionals*
- *ageing trends in rural Victoria*
- *stronger prevention and early intervention capacity*
- *meeting individuals' complex needs, including the needs of Indigenous Victorians, more effectively.*

To address some of these issues, the 2010-11 Budget provides \$649.9 million of the \$2.3 billion (TEI) for health initiatives in regional hospitals.<sup>27</sup> The bulk of this is for the new Bendigo Hospital, but there is also a further \$176.9 million for other hospitals across regional Victoria.

The Committee commends the Government for breaking down infrastructure investment in Budget Information Paper No.2 to clearly indicate how much is for regional areas and how much for metropolitan Melbourne.<sup>28</sup> This provides a clear overview of apportionment and allocation.

**Recommendation 32: The Department of Treasury and Finance continue to provide, in future budget papers, a break-down of health asset investment initiatives by whether they are for regional and rural Victoria or metropolitan Melbourne.**

The Committee considers that it is also important to ensure that there are appropriate measures being reported to enable Parliament and the public to assess the effectiveness of the Government's health policies for regional and rural Victoria. Although *Rural Directions — For a Stronger Healthier Victoria* provides details of a number of priorities, it does not provide a reporting framework for assessing the effectiveness of programs at meeting the policy's vision and principles. There is a specific output group for 'small rural services' in the budget papers, and some differentiation within the 'ambulance services' output, but many of the Department of Health's performance measures do not differentiate between indicators for metropolitan Melbourne and regional and rural Victoria. Similarly, the *Growing Victoria Together* progress report in Budget Paper No.3 differentiates between urban and rural and regional respondents on self-rated health status and psychological distress status but not on waiting times or levels of confidence.

The Committee understands that many health programs are delivered on a state-wide basis, but notes that programs may need to be delivered in a different way in regional and rural areas compared to metropolitan Melbourne.

**Recommendation 33: In reporting results against key performance measures in its annual report, the Department of Health report, where possible, results for metropolitan Melbourne and rural and regional Victoria separately.**

27 Budget Information Paper No.2, *Putting Patients First*, p.7; Budget Paper No.3, *2010-11 Service Delivery*, p.309

28 Budget Information Paper No.2, *Putting Patients First*, pp.7-8

## 11.4 Education initiatives

At the budget estimates hearing, the Minister for Education explained that the Government is ‘*in the middle of the biggest ever infrastructure rebuild in our state’s history.*’<sup>29</sup> This rebuilding is funded through two programs — the State-funded *Victorian Schools Plan*, totalling \$1.9 billion TEI; and the Commonwealth-funded *Building the Education Revolution* (BER), totalling \$2.5 billion TEI — which the Department has delivered in tandem.<sup>30</sup> The Department explained that:<sup>31</sup>

*In developing the 2010-11 DEECD Asset package, the Department has analysed the impact of BER investment to ensure that new funding complements Commonwealth funding and represents efficient investment in school capital.*

To that end, \$104.1 million (TEI) of State funding was announced in the *2009-10 Budget Update* for a number of initiatives which combined the *Victorian Schools Plan* and *Building the Education Revolution* funding.<sup>32</sup> These initiatives were expanded to a TEI of \$276.4 million in the 2010-11 Budget. In addition, several other school asset investment programs were announced and \$215.6 million of funding was reallocated from social housing to *Building the Education Revolution* in the 2010-11 Budget.

Section 3.6.1 of Chapter 3 provides further details of infrastructure spending for education. The Committee also notes that the Parliament’s Education and Training Committee is currently conducting an Inquiry into the Administration of the Federal Government’s Building the Education Revolution (BER) Program in Victoria.

In terms of outputs, the largest initiative in the 2010-11 Budget (announced in the *2009-10 Budget Update*) was the ‘Continued support for non-government schools’ program, which received \$287.5 million over five years.<sup>33</sup> This initiative is intended ‘*to improve educational opportunities for students and target programs for students with disabilities and those from disadvantaged backgrounds.*’<sup>34</sup> This money is in addition to \$108.6 million for the government system ‘*to boost disability support and services in early childhood and at school, including increased funding for early childhood intervention services and a new Victorian deaf education institute.*’<sup>35</sup>

## 11.5 Early childhood education

The Government released its *Blueprint for Education and Early Childhood Development* in September 2008, which sets the direction, including the priorities, goals, strategies and actions, for the learning and development of children from birth to adulthood.<sup>36</sup> The Blueprint includes

29 Hon. B. Pyke MP, Minister for Education, 2010-11 budget estimates hearing, transcript of evidence, 13 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.A2)

30 *ibid.*

31 Department of Education and Early Childhood Development, response to the Committee’s 2010-11 Budget Estimates Questionnaire — Part A, received 28 April 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.86)

32 *ibid.*; *2009-10 Budget Update*, p.143

33 Budget Paper No.3, *2010-11 Service Delivery*, p.299

34 *ibid.*, p.300

35 Hon. J. Brumby MP, Premier of Victoria, 2010-11 budget estimates hearing, transcript of evidence, 10 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.O18)

36 Department of Education and Early Childhood Development, *Blueprint for Education and Early Childhood Development*, September 2008, p.9

20 actions. A further 23 initiatives were added in the *Blueprint for Education and Early Childhood Development: One Year On*, released in November 2009.<sup>37</sup>

In November 2009, the Minister for Children and Early Childhood Development released a ministerial statement, *Growing, Learning and Thriving: Building on Victoria's Achievements in Early Childhood Development*. Both this statement and the Blueprint address services for children between birth and eight years of age.

The Committee notes that the Blueprint documents and ministerial statement all commence with a section outlining the policy context, which includes a discussion of related Government policies (both State and Commonwealth). The Committee notes that the ministerial statement also clearly locates itself within the framework of the Blueprint. The Committee considers that the Department's policy documents provide a good example of clear and transparent policy alignment and should, in this aspect, be used as a model by other departments.

**Recommendation 34:** **As part of its review of the Integrated Management Cycle Guide, the Department of Treasury and Finance examine the Department of Education and Early Childhood Development's policy documents and consider whether there are any lessons about best practice in planning that can be taken from the documents for inclusion in the Guide.**

In addition to the release of new policies at the State level, there have been a number of developments at the Commonwealth level in 2009-10. In July 2009, COAG agreed to a national strategy on early education, *Investing in the Early Years — A National Early Childhood Development Strategy*. COAG also agreed in December 2009 to a *National Partnership Agreement on the Quality Agenda for Early Childhood Education and Care*, which includes the establishment of national uniform standards for early childhood education.<sup>38</sup>

### **11.5.1 Kindergarten program expansion**

There is currently a need to expand kindergarten programs in Victoria, due to the State's growing population and an agreement by COAG.

In its *National Partnership Agreement on Early Childhood Education* (December 2008), COAG agreed that:<sup>39</sup>

*... by 2013 every child will have access to a preschool program in the 12 months prior to full-time schooling. The preschool program is to be delivered by a four year university qualified early childhood teacher, in accordance with a national early years learning framework, for 15 hours a week, 40 weeks a year.*

37 Department of Education and Early Childhood Development, *Blueprint for Education and Early Childhood Development: One Year On*, November 2009, p.37

38 Council of Australian Governments, *Communiqué*, 7 December 2009, p.4

39 Council of Australian Governments, *National Partnership Agreement on Early Childhood Education*, p.5

This is a significant increase on the current situation, in which 10 hours of kindergarten are delivered to around 93 per cent of children.<sup>40</sup>

The 2010-11 Budget sees the provision of \$19.3 million of funding from the Commonwealth to work towards this goal.<sup>41</sup> This is part of an expected funding of \$210.6 million over five years to implement the National Partnership.<sup>42</sup>

At the budget estimates hearings, the Premier stated:<sup>43</sup>

*In terms of giving children the best start in life, which is so important, as you know, with all the information and all the evidence linking that to further achievements in primary and secondary school, there is \$82.6 million for the new early childhood initiatives, which include an additional 3590 kinder places.... If you go back in the history of the state, it has never been more than about 1000 a year. So these are huge increases in the number of kindergarten places.*

That money includes \$63.0 million over five years to provide for additional kindergarten places and \$3.4 million over three years ‘to continue to develop a highly skilled, professional early childhood workforce.’<sup>44</sup>

In terms of how kindergarten services are going to be expanded from 10 to 15 hours per week, the Government is conducting pilots at 20 locations around Melbourne and regional Victoria, trialling a range of different approaches.<sup>45</sup> The Minister explained that:<sup>46</sup>

*There is a number of different ways that local government is planning to deliver that and that is, for example, extending the hours that a kindergarten might be open so that they can provide more open hours. It might be that some model to have a longer day for the children. A lot of services do two five hour sessions; some of them might do two three hours and another two. So there is a whole different way that each community kindergarten decides how they currently deliver the 10 hours, and it is really up to them to work with their communities on how they might deliver the 15 hours. I am sure all members here are familiar with examples in their own electorates where some of them might even do quite a long day, because that actually is what the parents want — that is how they want the kindergarten provision to be provided.*

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40 Hon. M. Morand MP, Minister for Children and Early Childhood Development, 2010-11 budget estimates hearing, transcript of evidence, 20 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Two*, p.A5)

41 Budget Paper No.4, *2010-11 Statement of Finances*, pp.220, 225

42 Department of Education and Early Childhood Development, ‘Early Childhood Education National Partnership’, <[www.education.vic.gov.au/about/directions/nationalpartnerships/ecdevelopment.htm](http://www.education.vic.gov.au/about/directions/nationalpartnerships/ecdevelopment.htm)>, accessed 19 August 2010

43 Hon. J. Brumby MP, Premier of Victoria, 2010-11 budget estimates hearing, transcript of evidence, 10 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.O18)

44 Victorian Budget, *2010-11 Overview*, p.12; Budget Paper No.3, *2010-11 Service Delivery*, pp.299, 301

45 further details were provided by the Minister in response to a request for further information (see Appendix 2 of this report)

46 Hon. M. Morand MP, Minister for Children and Early Childhood Development, 2010-11 budget estimates hearing, transcript of evidence, 20 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Two*, p.A6)

A requirement will also be introduced for every long day care centre to have a kindergarten teacher to ensure that children in long day care full time do not miss out.<sup>47</sup> Therefore, several of the pilots are taking place in long day care centres.

In addition to the pilots, grants of \$50,000 were supplied to each local council to determine its expected population of four-year-olds and the infrastructure and workforce changes required to meet the area's needs. This information was due to be provided to the Department for analysis in April 2010.<sup>48</sup>

In order to build up an appropriate workforce, the Government has also allocated \$300,000 for research into early childhood workforce initiatives.<sup>49</sup> Furthermore, additional places in early childhood education have been rolled out in Victorian universities and a range of initiatives to encourage diploma-qualified staff in long day care to upskill to becoming early childhood teachers.<sup>50</sup>

The Committee notes the significant amount of work that the Government is undertaking to meet the target. The Committee also notes that the Department of Education and Early Childhood Development has developed a strategy for implementation, based around seven actions as identified in Figure 11.4.

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47     ibid.

48     Hon. M. Morand MP, Minister for Children and Early Childhood Development, 2010-11 budget estimates hearing, transcript of evidence, 20 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Two*, pp.A6, 10)

49     ibid., p.A9

50     ibid., pp.A6, 10

**Figure 11.4: The Department of Education and Early Childhood Development: Actions towards achieving universal access to early childhood education**



Source: Department of Education and Early Childhood Development, *Universal Access to Early Childhood Education — Overview*, p.5

The Committee also notes that the Minister for Children and Early Childhood Development has acknowledged that COAG’s target is ‘ambitious’.<sup>51</sup> In these circumstances, the Committee considers it important from a transparency perspective that the Department provide regular updates as to its progress with respect to its actions and that it publish, for public scrutiny, information about the findings of its research and pilots.

**Recommendation 35: The Department of Education and Early Childhood Development publish on its website an annual update on its progress towards meeting the Council of Australian Governments goal for kindergarten education, including the findings of its research and pilot programs.**

Research has shown that the quality of kindergarten programs can make a significant difference to whether or not the beneficial outcomes sought by kindergarten programs are achieved.<sup>52</sup> The Committee notes that the COAG reforms include agreement to a new national framework with a set of standards for early childhood education.<sup>53</sup> The Committee acknowledges the value of universal standards, but considers that Victoria would be well served by the Department

51 *ibid.*, pp.A5, 9

52 Commonwealth of Australia, *Investing in the Early Years — A National Early Childhood Development Strategy*, July 2009, p.35

53 Council of Australian Governments, *Communiqué*, 7 December 2009, pp.4, 17–19

considering, based on the research it has undertaken to date and is continuing to undertake, whether any supplementary measures should be established and monitored to ensure that kindergarten education is appropriate to provide children across Victoria with the best start in life.

**Recommendation 36:** **Based on its research, the Department of Education and Early Childhood Development consider developing supplementary standards to those in the National Quality Agenda for Early Childhood Education and Care to ensure that Victorian children receive the best possible outcomes from kindergarten programs.**



## CHAPTER 12: HEALTHY ENVIRONMENT

### Key findings of the Committee:

- 12.1 At its budget estimates hearings, the Committee was interested in climate change, land and biodiversity issues, upgrading of parks, protection of grassland reserves, jobs for the future economy and sustainable energy initiatives — all contributors to a healthy environment for Victoria.
- 12.2 In response to the Committee’s 2010-11 budget estimates questionnaire, the majority of departments highlighted climate change as a key environmental issue impacting on their services.
- 12.3 To address the impacts on climate change, the Government has recently issued three important documents, namely:
- *Taking Action for Victoria’s Future: Victorian Climate Change White Paper — The Action Plan*;
  - the Climate Change Bill 2010; and
  - a land and biodiversity white paper — *Securing Our Natural Future*.
- 12.4 The Climate Change White Paper includes ten actions aimed at reducing emissions, providing for a more diverse energy mix, encouraging more water-efficient and energy-efficient Victorian homes and businesses and facilitating community adaptation to climate change.
- 12.5 Initially over \$329 million in new funds has been earmarked in the Climate Change White Paper; this is on top of \$322 million announced since November 2009 for climate change and renewable energy programs.
- 12.6 As climate change does not come under a single portfolio area, the Committee could not find clear linkages between the funding announced in the Climate Change White Paper and the output initiatives in the budget papers.
- 12.7 The Committee believes that all of the major initiatives under the Climate Change White Paper should be represented within the budget papers in a clear manner. Information about the investment in, and progress of, climate change measures should be easy to identify and understand.
- 12.8 The Climate Change Bill 2010 was introduced to Parliament to provide legislative backing for the reforms outlined in the Climate Change White Paper by establishing the Climate Change Act 2010, mandating, among other things, a 20 per cent reduction in Victoria’s greenhouse gas emissions by 2020 and creating a framework for achieving it.
- 12.9 Victoria’s greenhouse emissions target represents an 11 per cent reduction on 1990 levels by 2020. The target is the most ambitious in Australia at state or Commonwealth level and is closer to targets in other industrialised countries. For example, California has set a target of meeting 1990 levels by 2020, the European Union has a target of being 20 per cent below 1990 levels by 2020 and the United Kingdom aims for a 34 per cent reduction on 1990 levels by 2020.

- 12.10** With regard to the *Securing Our Natural Future* white paper, of the \$105 million allocated to programs from 2010-11 to 2013-14, the Committee identified from the budget papers that \$39.5 million or approximately one third had been allocated to the Department of Sustainability and Environment. The Committee notes that the White Paper is led by the Department of Sustainability and Environment, with eight other organisations to be involved in implementing 123 actions under the whole-of-government plan.
- 12.11** The 2010-11 Budget provides \$228.9 million for protecting Victoria's natural resources and improving visitors' experiences in all of Victoria's national and metropolitan parks. Of this, \$200 million (87 per cent) has been allocated to acquire 15,000 hectares of grassland reserves to protect endangered species.
- 12.12** The single largest investment in the \$175 million *Jobs for the Future Economy* five-year action plan, announced in April 2010, involves an initial commitment of \$60 million to improve the energy and water efficiency of the State's hospitals, schools and Government buildings under the *Greener Government Buildings* program.
- 12.13** The investment in eight priority projects under the *Greener Government Buildings* program is forecast to save over 130,000 tonnes of greenhouse gases each year and \$7 million annually in operational costs. Most projects, as part of the first stage of the program, are to be completed between May 2010 and November 2011, securing an estimated 250 jobs. By 2018, sites accounting for 90 per cent of the Government's total energy consumption are to have undertaken *Greener Government Buildings* projects.
- 12.14** Projects to be implemented in the first stage of the *Greener Government Buildings* program include 16 CBD and regional office buildings, totalling 83,000 m<sup>2</sup>. Energy consumption in these buildings is to be reduced by at least 33 per cent and water consumption by 8 per cent. Ongoing cost savings are expected to be in excess of \$1 million per year.
- 12.15** The 2010-11 Budget provides \$15.7 million in 2010-11 and \$5.0 million in 2011-12 for reducing energy costs and water use in schools, community and Government buildings under the *Greener Government Buildings* initiative. This initiative also incorporates the *Traffic Lights Retrofit* program (Department of Transport) and the *Energy Upgrade Project* — Stages 1 and 2 (Department of Treasury and Finance).

## 12.1 Introduction

At the budget estimates hearings, the Committee asked 60 questions of departments to determine the Government's actions in 2010-11 towards achieving the *Growing Victoria Together* vision for a healthy environment. The number of questions represented 13.5 per cent of the total number of questions asked by the Committee. This a slight increase on the percentage of questions asked in 2009-10 (10 per cent).

Key areas of interest to the Committee from these questions were:

- climate change;

- land and biodiversity;
- grassland reserves to protect endangered species;
- *Jobs for the Future Economy — Victoria’s Action Plan for Green Jobs*;
- national parks including free entry and asset replacement and renewal;
- water projects (the desalination plant and the Northern Victoria Irrigation Renewal Project); and
- sustainable energy initiatives.

The answers provided at the estimates hearings were recorded by Hansard and the transcripts of evidence are contained in Appendix 2 of the *Report on the 2010-11 Budget Estimates — Part One* and in Appendix 1 of the *Report on the 2010-11 Budget Estimates — Part Two*.

In addition, the Committee’s 2010-11 budget estimates questionnaire asked departments to ‘identify key environmental issues that are predicted to have an impact on services delivered by the department’s portfolios in 2010-11.’ Department’s responses to the questionnaire are reproduced in their entirety in Appendix 1 of the *Report on the 2010-11 Budget Estimates — Part One*.

## 12.2 Climate change

The Victorian Government considers climate change to be an important challenge that poses significant risks to Victoria’s economy, environment and way of life.<sup>1</sup>

In Victoria, climate change is expected to lead to a warmer and drier future, with an increasing likelihood of more extreme events such as heatwaves, bushfires and storm surges. Climate change projections for Victoria indicate that, relative to the climate in 1990:<sup>2</sup>

- average temperatures will increase by at least 0.6°C by 2030 and by at least 1.0°C by 2070 under a low emissions scenario, or by at least 2.5°C under a high emissions scenario; and
- annual rainfall is projected to decrease by up to 5 per cent by 2030, and decrease by around by 5-10 per cent by 2070 under a low emissions scenario, or 10-20 per cent under a high emissions scenario.

In addition, Victoria is likely to have increased days of high fire danger, much less snowfall, more frequent drought and greater risk of coastal erosion and inundation.<sup>3</sup>

In response to the Committee’s 2010-11 budget estimates questionnaire, the majority of departments highlighted climate change as a key environmental issue impacting on their services.

Table 12.1 provides details of some of the key environmental issues identified by selected departments and how these issues have been addressed in their 2010-11 budget estimates.

1 Victorian Government, *Taking Action for Victoria’s Future, Victorian Climate Change White Paper — The Action Plan*, July 2010, p.3

2 Australian Government, *Communicating Climate Change*, Module 3, August 2008, pp.2-3

3 *ibid.*, p.3-4

**Table 12.1: Environmental challenges**

Department	Key environmental issues impacting on services	New and existing initiatives to address the key environmental issues
Human Services and Health	<p>Increase in the price of water and electricity costs will impact on operating costs.</p> <p>Increases in the incidence of more extreme events such as heatwaves, fires, storms, droughts and vector-borne diseases due to climate change, resulting in increased resource demands and costs, in particular relating to insurance and infrastructure maintenance.</p>	<p>No additional funding in 2010-11, projects have been funded within existing budget resources. These include:</p> <ul style="list-style-type: none"> <li>• the implementation of an Environmental Management System to manage, monitor and reduce the environmental impacts of operations;</li> <li>• the incorporation of sustainability initiatives into office fit-outs and refurbishments; and</li> <li>• the development in 2010-11 of Office Accommodation Environmental Initiatives Guidelines to improve and embed sustainability outcomes and a Climate Change Strategy and Adaptation Action Plan.</li> </ul>
Justice	<p>Climate change may cause more frequent and severe weather events resulting in increased risk of disruption to critical infrastructure, i.e. roads, ports and utilities.</p> <p>Lack of water due to the drought is impacting on the viability of rural communities with flow-on effects to the broader Australian community. This has implications for services addressing regional disadvantage and financial hardship.</p>	<p>Environmental issues are dealt with by departmental agencies as part of their core business. The 2010-11 Budget includes funding for the following new initiatives:</p> <ul style="list-style-type: none"> <li>• Bushfire Preparedness (\$31.9 million);</li> <li>• An Integrated Statewide 000 Emergency Communications (\$7.5 million); and</li> <li>• Statewide Network of Incident Control Centres (\$6.2 million).</li> </ul>

Department	Key environmental issues impacting on services	New and existing initiatives to address the key environmental issues
Primary Industries	<p>The need for emission reductions from Victoria's primary and energy industries in response to global concern regarding climate change.</p> <p>The effects of climate change on production systems, biosecurity and other risks, and the sustainability of environmental systems.</p>	<p>These issues are being addressed through various ongoing programs including:</p> <ul style="list-style-type: none"> <li>• Future Farming: Understanding and Managing Climate Change — Funding is provided to help farm businesses to plan for climate change and provide farmers in key industries with new technologies and strategies to adapt to future climatic conditions. Funding consists of \$3.0 million in 2010-11;</li> <li>• Future Energy I: Positioning Victoria as a Carbon Capture and Storage Leader — Funding is provided to move Victoria towards near zero emission outcomes. Funding consists of \$8.6 million in 2010-11;</li> <li>• Future Energy II: Sustainable Energy — Funding is provided for the large scale pre-commercial demonstration of sustainable energy technologies, such as solar, energy storage, biofuels, biomass conversion, geothermal energy efficiency and clean distributed energy. Funding consists of \$4.5 million in 2010-11;</li> <li>• Large-Scale Solar Energy Generation — Funding is provided to facilitate the development of a new large-scale solar power station that will deliver low emissions electricity to run up to 50,000 homes and diversify Victoria's renewable energy supply. Funding consists of \$0.4 million in 2010-11, with a total funding of \$100 million allocated;<sup>(a)</sup> and</li> <li>• Brown Coal Innovation Australia — Funding has been allocated to establish Brown Coal Innovation Australia to support low emission brown coal research and development. Funding consists of \$4.0 million in 2010-11.<sup>(b)</sup></li> </ul>
Sustainability and Environment	<p>Maintaining water supply, fire management, the impact of climate change on the environment and managing the impacts of Victoria's ongoing drought.</p>	<p>Investment in a range of initiatives and infrastructure projects aimed at addressing key environmental issues including:</p> <ul style="list-style-type: none"> <li>• a \$105 million land health and biodiversity plan that sets out a blueprint for protecting key habitat and ecosystems in the face of the threat of climate change;</li> <li>• an estimated capital expenditure of \$165 million for the Northern Victoria Irrigation Renewal Project and \$17 million for the Melbourne to Geelong Pipeline; and</li> <li>• continuing the annual investment in bushfire management, taking into account climate change and the increasing bushfire threat due to ever-present drought conditions.</li> </ul>

Department	Key environmental issues impacting on services	New and existing initiatives to address the key environmental issues
Transport	<p>Responding to climate change and reducing the environmental impact of transport.</p> <p>Minimising greenhouse gas emissions from the construction, operation and maintenance of the transport system and ensuring that transport infrastructure can withstand the effects of more extreme weather.</p>	<p>The Victorian Transport Plan incorporates a number of initiatives to make transport more environmentally sustainable. New and previously announced initiatives include:</p> <ul style="list-style-type: none"> <li>• \$19.3 million TEI for noise-walls to retrofit sections of freeways and arterial roads with sound barriers (in addition to the \$13.3 million TEI funded in the 2009-10 Budget);</li> <li>• \$13.2 million TEI for bicycle lanes and shared walking and cycling paths to support the safety of cyclists and pedestrians and encourage mode shift to these low emission transport options;</li> <li>• \$5 million over four years for a new public bicycle hire scheme in inner Melbourne to provide an alternative low-emission transport option for short trips in and around the city;</li> <li>• \$5.4 million over four years for carpooling initiatives that will reduce greenhouse gas emissions as well as congestion by safely increasing the number of occupants in private cars, particularly in peak hour; and</li> <li>• \$4.2 million over four years for low-emission vehicles including setting a mandatory carbon emission target for the Government's vehicle fleet, supporting commercial fleet emissions reduction and low-emission vehicle trials such as electric cars and hybrid-electric buses.</li> </ul>

Notes:

- (a)
- (b)

Subsequent to the Committee's 2010-11 budget estimates questionnaire, the Premier announced on 21 July 2010 that the Government will increase electricity supply from larger-scale solar power to five per cent by 2020. This will result in the establishment of between five to ten large solar plants across regional Victoria.

The Taking Action for Victoria's Future: Victorian Climate Change White Paper released in July 2010, commits the Government to reducing emissions from Victorian brown coal-fired generators by up to four million tonnes over the next four years.

Sources: Departmental responses to the Committee's 2010-11 budget estimates questionnaire; Hon. J. Brumby MP, Premier of Victoria, 'Victoria shines in solar action on climate change', media release, 21 July 2010; Hon. J. Brumby MP, Premier of Victoria, 'Brumby unveils plan to lead nation on climate action', media release, 26 July 2010

## 12.3 Responding to climate change

Responding to climate change is one of the Government's priorities as highlighted in:

- the *Annual Statement of Government Intentions* (February 2010), which lists as one of its priorities 'applying the principles of sustainability across all our activities and taking action to reduce the impact of climate change';<sup>4</sup> and
- the 2010-11 Budget Overview which states that 'the Brumby Labor Government continues to provide high levels of investment to address climate change...'<sup>5</sup>

This was reinforced at the budget estimates hearing where the Premier stated that:<sup>6</sup>

*...in terms of our intentions going forward I think I can be unequivocal in saying that I want our state to be the leader in these areas — in tackling climate change and in producing a state with the best environment in Australia.*

To address the impacts on climate change, the Government has recently issued three important documents, namely:

- *Taking Action for Victoria's Future: Victorian Climate Change White Paper — The Action Plan*, in July 2010;
- the Climate Change Bill 2010; and
- a land and biodiversity white paper, *Securing Our Natural Future*, in December 2009.

### 12.3.1 Taking Action for Victoria's Future: Victorian Climate Change White Paper — The Action Plan

Released in July 2010, *Taking Action for Victoria's Future* emphasises the importance the Victorian Government places on responding to climate change.

The white paper includes ten actions aimed at reducing emissions, providing for a more diverse energy mix, encouraging more water-efficient and energy-efficient Victorian homes and businesses, and facilitating community adaptation to climate change.<sup>7</sup>

The Government will:<sup>8</sup>

- *set Victoria a target to reduce emissions by at least 20 per cent by 2020 compared to 2000 levels (equivalent to 40 per cent per capita);*

4 Victorian Government, *February 2010 Annual Statement of Government Intentions*, p.1

5 Victorian Budget 2010-11 Overview, *Standing Up for Families — Securing Jobs*, p.22

6 Hon. J. Brumby MP, Premier of Victoria, 2010-11 budget estimates hearing, transcript of evidence, 10 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.O24)

7 Department of Premier and Cabinet, *Taking Action for Victoria's Future: Victorian Climate Change White Paper — The Action Plan*, July 2010, p.9

8 *ibid.*, p.3

- *commit to reducing the greenhouse gas emissions of Victorian brown coal-fired generators by up to four million tonnes over the next four years, culminating in a total saving of 28 million tonnes by 2020, equivalent to the closure of two units of Hazelwood Power Station;*
- *implement a plan to raise the energy efficiency of Victorian homes to an average of 5 Stars by 2020;*
- *put Victoria on track to generate 5 per cent of our electricity from solar energy by 2020;*
- *create jobs by taking advantage of the opportunities in a low carbon economy;*
- *prepare Victoria for the physical impacts of climate change; and*
- *keep Victoria ahead of the game, ready for the eventual introduction of a carbon price.*

The Committee notes that further details on the specific initiatives underpinning the white paper and funding will be set out in a White Paper Implementation Plan which is scheduled for release later in 2010.<sup>9</sup>

At the budget estimates hearing, the Minister for Environment and Climate Change also acknowledged that *‘the climate change white paper will be a major policy, setting direction for the government in the coming months.’*<sup>10</sup>

The Committee believes that, as the Climate Change White Paper unfolds, over the next four to five years, Parliament and interested groups should be kept informed of its progress.

**Recommendation 37: As the Climate Change White Paper unfolds, the budget papers should include a section that explains the Government’s efforts in contributing to the achievement of the White Paper’s goals, including future requirements and funding allocations.**

### **12.3.2 The Climate Change Bill 2010**

As foreshadowed in the Climate Change White Paper, a Climate Change Bill was introduced to Parliament in July 2010 and subsequently passed in early September 2010. This is the Government’s first step towards implementing the goals in its white paper.

The Climate Change Bill provides legislative backing for the reforms by establishing a Climate Change Act 2010, which, among other things would mandate a reduction in Victoria’s greenhouse gas emissions to 20 per cent below the levels in the year 2000 by 2020 and create a framework for achieving it. The Committee notes that this reduction in Victoria’s emissions would represent an 11 per cent reduction on 1990 levels by 2020.

The 20 per cent goal is ambitious compared to other states in Australia. New South Wales, South Australia, Queensland and Tasmania are aiming to meet the Commonwealth Government’s target

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9 *ibid.*, p.3

10 Mr G. Jennings MLC, Minister for Environment and Climate Change, 2010-11 budget estimates hearing, transcript of evidence, 13 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, p.P4)

of 60 per cent reduction on 2000 levels by 2050.<sup>11</sup> The Government has pointed to a number of other industrialised countries with targets similar to what has been proposed for Victoria. For example, California has set a target of meeting 1990 levels by 2020, the European Union has a target of 20 per cent below 1990 by 2020 and the United Kingdom aims for a 34 per cent reduction on 1990 levels by 2020.<sup>12</sup>

### **12.3.3 Funding of the Victorian Climate Change White Paper — The Action Plan**

The Climate Change White Paper provides details of funding to address climate change. Initially \$651 million has been provided comprising:<sup>13</sup>

- \$322 million announced since November 2009 for the *Climate Communities* program (\$23 million), *Securing Our Natural Future: A White Paper for Land and Biodiversity at a Time of Climate Change* (\$105 million), *Jobs for the Future Economy* (\$175 million) and *Ready for Tomorrow: A Blueprint for Regional and Rural Victoria* (\$19 million); and
- \$329 million in new funding earmarked over the next four to five years, made up of budget funds (\$52 million), the sustainability fund (\$106 million), CarbonNet funding from the budget (\$30 million), Energy Technology Innovation Strategy pilot scale funds (\$41 million) and the *Greener Government Buildings* initiative (\$100 million).

Table 12.2 provides details of the funding for climate change initiatives contained in the 2010-11 Budget, and the total funding over 2010-15 listed in the Climate Change White Paper.

11 NSW Government, *Investing in a Better Future NSW State Plan*, March 2010, p.66; South Australian Government, *South Australia's Strategic Plan*, January 2007, p.23; *Climate Change (State Action) Act 2008* (Tasmania), Section 5; Queensland Government, *Queensland climate change strategy 2007: a low carbon future*, p.1

12 Department of Premier and Cabinet, *Taking Action for Victoria's Future: Victorian Climate Change White Paper — The Action Plan*, July 2010, p.8

13 *ibid.*, p.27

**Table 12.2: Victorian Climate Change White Paper — allocation of funding in 2010-11 Budget**

Output initiatives	2009-10 (\$ million)	2010-11 (\$ million)	2011-12 (\$ million)	2012-13 (\$ million)	2013-14 (\$ million)	Total (allocated in 2010-11 Budget) (\$ million)	Total 2010-15 (earmarked in White Paper) (\$ million)
<i>Climate Communities — Stage 1</i>							
Department of Sustainability and Environment	5.6	9.1	7.8	0.8	-	23.3	23.3
<i>Securing Our Natural Future: A White Paper for land and biodiversity at a time of climate change</i>							
Department of Sustainability and Environment	-	10.2	11.1	13.1	5.1	39.5	105.0
Other organisations	(a)	(a)	(a)	(a)	(a)	(a)	
<i>Jobs for the Future Economy</i>							
Government-wide	17.5	47.7	34.9	19.3	12.0	131.4	175.0
<i>Ready for Tomorrow: A Blueprint and Regional and Rural Victoria</i>							
Government-wide	(b)	(b)	(b)	(b)	(b)	(b)	19.0

**Notes:**

- (a) Funding to Department of Primary Industries, Department of Planning and Community Development, Department of Education and Early Childhood Development, Department of Treasury and Finance, Department of Premier and Cabinet, Department of Transport, Department of Justice and VicRoads not disclosed
- (b) Ready for Tomorrow: A Blueprint and Regional and Rural Victoria was announced by Regional Development Victoria on 15 June 2010 subsequent to the 2010-11 Budget. Funding of \$19 million earmarked for climate change action.

Sources: Budget Paper No.3, 2010-11 Service Delivery, pp.282, 347; Department of Premier and Cabinet, Taking Action for Victoria's Future: Victorian Climate Change White Paper — The Action Plan, July 2010, p.27; Mr G. Jennings MLC, Minister for Environment and Climate Change, response to question on notice, received 25 June 2010

As climate change does not come under a single portfolio area, the Committee could not find clear linkages of how the funding of \$322 million announced in the Climate Change White Paper was distributed across organisations, budget initiatives and outputs in the 2010-11 budget papers.

The Committee believes that all the major initiatives under the Climate Change White Paper should be represented within the budget papers in a clear manner. Information about the investment in, and progress of climate change measures should be easy to identify and understand.

**Recommendation 38: The Department of Treasury and Finance ensure that major initiatives under the Climate Change White Paper are represented within the budget papers across organisations, budget initiatives and outputs.**

### 12.3.4 **Securing Our Natural Future — disclosure of funding and performance**

In December 2009, the Government released Victoria's Land and Biodiversity White Paper — *Securing Our Natural Future*. In setting out the Government's vision, policy and actions to secure the health of Victoria's land, water and biodiversity in the face of ongoing pressures and a changing climate over the next 50 years, the White Paper builds on the Water White Paper *Securing Our Water Future* (2004) and complements the *Taking Action for Victoria's Future: Victorian Climate Change White Paper — The Action Plan*. Together, the three white papers are designed to provide a foundation for managing changes in Victoria's natural environment.<sup>14</sup>

In view of the importance of effectively managing and protecting Victoria's biological assets, the Committee was interested in examining the funding of \$105 million over four years provided in the 2010-11 Budget to support the delivery of the White Paper.<sup>15</sup> In particular the Committee was interested in how funding was:<sup>16</sup>

- allocated to the various programs earmarked in the Land and Biodiversity White Paper; and
- disclosed in the budget papers according to the outputs and output initiatives.

The Minister for Environment and Climate Change stated that:<sup>17</sup>

*... in 2010-11 there is \$32 million, in 2011-12, \$33 million, in 2012-13, \$35 million, and then in the last year only \$5 million has been allocated in the out years to 2013-14 to assist in the restructuring and alignment of programs and new investments to deliver outcomes to support the land and biodiversity white paper.*

*... within this, the \$90 million expansion to the natural resource investment program, and there is an additional \$20 million allocated over three years to the ecosystems enhancement of natural resource institutions and land health program. Cumulatively they will deal with a number of elements.*

In this regard, the Minister explained that funding would be directed at:<sup>18</sup>

- the new alignment of catchment management responsibilities;
- the introduction of natural resource management legislation;
- continuing to build on market-based programs such as EcoTender and Bush Tender;
- supporting landholders in developing goods and services, costing and market-based mechanisms;

14 Department of Sustainability and Environment, *Securing Our Natural Future: A White Paper for Land and Biodiversity at a Time of Climate Change*, December 2009, p.i

15 Victorian Budget 2010-11 Overview, *Standing Up for Families — Securing Jobs*, p.22

16 Mr G. Jennings MLC, Minister for Environment and Climate Change, 2010-11 budget estimates hearing, transcript of evidence, 13 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.P11)

17 *ibid.*

18 *ibid.*, pp.P11–12

- the provision of on-farm advisory services;
- targeted investment for 13 priority flagship areas; and
- a greater alignment between coastal management and catchment management in terms of interface issues.

The 2010-11 Budget provided \$39.5 million in funding for initiatives as part of the Land and Biodiversity White Paper for the Department of Sustainability and Environment, comprising:<sup>19</sup>

- \$1.2 million over four years for ecosystem services to develop systems to map the functional and connectivity needs of Victoria's species and ecosystems;
- \$4.1 million over four years to enhance natural resource institutions by making them more flexible and better able to deal with environmental programs and to ensure that the regulatory structure supports private investment in biodiversity and ecosystem services;
- \$14.9 million over four years for land health activities to develop and integrate social, economic and environmental research knowledge, planning methods and tools to support flagship areas and landscape resilience; and
- \$19.3 million over three years to expand the *Natural Resources Investment Program*, building ecosystem resilience, targeting investment and resources to priority areas and improving ecological connectivity through a network of biolinks to protect key habitat and ecosystems.

In seeking to determine how the funding of \$105 million over four years was allocated to output initiatives, outputs and actions under the plan, the Committee was advised by the Minister that:<sup>20</sup>

*The White Paper is a whole of government document consisting of 123 actions that are being led or supported by the Department of Sustainability and Environment (DSE) as well as other Victorian Government departments and agencies outside of DSE's portfolio including the Department of Primary Industries, Department of Planning and Community Development, Department of Education and Early Childhood Development, Department of Treasury and Finance, Department of Premier and Cabinet, Department of Transport, Department of Justice and VicRoads. As a result, funding for the implementation of the White Paper is not solely contained within the Biodiversity Output of DSE.*

The Minister explained that, in addition to actions within the Department of Sustainability and Environment's Biodiversity output, other output initiatives relate to the Department of Sustainability and Environment's Natural Resources Output, and a number of actions contained in the White Paper are the responsibility of other agencies.<sup>21</sup>

Table 12.3 sets out a summary of how the funding of \$105 million over four years is to be allocated according to elements of the investment plan, per year and according to organisations involved in implementation. As shown in the table, of the \$105.0 million allocated to programs from 2010-11 to 2013-14, it was only possible to identify from the budget papers that

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19 Budget Paper No.3, *2010-11 Service Delivery*, pp.347–8

20 Mr G. Jennings MLC, Minister for Environment and Climate Change, response to question on notice, received 25 June 2010 (see Appendix 2 of this report)

21 *ibid.*

\$39.5 million (approximately one third) had been allocated to the Department of Sustainability and Environment.

**Table 12.3: Land and Biodiversity White Paper — allocation of funding**

Output initiatives	2010-11 (\$ million)	2011-12 (\$ million)	2012-13 (\$ million)	2013-14 (\$ million)	Total (\$ million)
<i>Amount allocated to the Department of Sustainability and Environment in 2010-11 Budget<sup>(a)</sup></i>	10.2	11.1	13.1	5.1	39.5
<i>Total expended across all agencies</i>	(c)	(c)	(c)	(c)	(c)
<b>Total<sup>(b)</sup></b>	<b>32.0</b>	<b>33.0</b>	<b>35.0</b>	<b>5.0</b>	<b>105.0</b>

Notes:

- (a) *Budget Paper No.3, 2010-11 Service Delivery, p.347*
- (b) *Mr G. Jennings MLC, Minister for Environment and Climate Change, 2010-11 budget estimates hearing, transcript of evidence, 13 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, P.11)*
- (c) *Funding to Department of Primary Industries, Department of Planning and Community Development, Department of Education and Early Childhood Development, Department of Treasury and Finance, Department of Premier and Cabinet, Department of Transport, Department of Justice and VicRoads not disclosed.*

The Committee believes that a greater level of detail needs to be provided regarding how this funding is allocated over the next four years and the relationship between budget details and the Land and Biodiversity White Paper. Responsibilities for the implementation of initiatives should also be indicated. The Department of Sustainability and Environment, as the lead agency for implementing this plan, should disclose on its website how funding has been allocated across actions earmarked in the White Paper, which organisations are involved in implementing the actions, the relevant output initiatives involved and outputs that the funding contributes to for each department.

**Recommendation 39:** **The Department of Sustainability and Environment disclose on its website information that provides a trail of how the \$105 million allocated in the 2010-11 Budget over four years to support the delivery of the *Securing Our Natural Future* white paper has been allocated across planned actions, organisations, output initiatives and outputs.**

**Recommendation 40:** **In future whole-of-government plans, the plan state clearly which organisations are responsible for each action.**

## 12.4 Protecting the environment and upgrading and promoting Victoria's parks

The Government is committed to continuing to protect Victoria's natural resources and improving visitors' experience in all of Victoria's national and metropolitan parks.<sup>22</sup>

22 Mr G. Jennings MLC, Minister for Environment and Climate Change, 2010-11 budget estimates hearing, transcript of evidence, 13 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.P3)

At the budget estimates hearing with the Minister for Environment and Climate Change, the Committee was interested in the benefits of a number of Government initiatives for protecting the environment and for upgrading and promoting Victoria's parks.

The Minister explained that the Government is committed to:<sup>23</sup>

*... establishing a major grassland reserve on the western edge of the Melbourne metropolitan area with \$20 million allocated over four years; \$200 million in total has been allocated in the budget to address that matter.*

*... at the moment in terms of what are known as natural temperate grasslands, which were once very dominant across the western plains of Victoria from Melbourne most of the way to Portland, we only have 2 per cent in reserve, and as a consequence of this action we will have 20 per cent of the remaining grasslands in reserve.*

In addition, the Minister stated that the Government is supporting community engagement with parks and tourism attractions by upgrading at national parks facilities and by:<sup>24</sup>

*... removing entry fees for access to national parks, providing support for pest and weed eradication in the parks network, and supporting the rehabilitation of the Summerlands estate to support the very vibrant penguin colony and tourism attraction on Phillip Island.*

The Committee notes that the 2010-11 Budget provides \$228.8 million in funding to support these initiatives, comprising:<sup>25</sup>

- \$200 million in total estimated investment (with \$100 million beyond the forward estimates) to protect grassland reserves by acquiring 15,000 hectares of native volcanic plains in grasslands in Melbourne's west;
- \$3.4 million over three years for rehabilitation works in the Summerland Estate on Phillip Island to improve the habitat for the fairy penguins;
- \$11.2 million over two years to replace and renew facilities in state parks, including the replacement of walking trails, viewing platforms, broadwalks, staircases and visitor facilities;
- \$2.0 million in 2010-11 for free entry to national parks;
- \$6.4 million over four years to address weeds and pests on public and private land;
- \$2.3 million over four years for the *Active in Parks* initiative which supports community participation and activity in Victorian parks; and
- \$3.5 million over four years to upgrade forest walking trails across the State.

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23     ibid.

24     ibid. p.P4

25     Victorian Budget 2010-11 Overview, *Standing Up for Families — Securing Jobs*, p.22; Budget Paper No.3, *2010-11 Service Delivery*, pp.347–50

## 12.5 Sustainable energy initiatives — the Greener Government Buildings program

The single largest investment in the \$175 million *Jobs for the Future Economy* action plan, announced in April 2010, involves an initial commitment of \$60 million to improve the energy efficiency and water efficiency of the State's hospitals, schools and Government buildings under the *Greener Government Buildings* program.<sup>26</sup> This investment in eight priority projects is forecast to save over 130,000 tonnes of greenhouse gases each year and \$7 million annually in operational costs. Most projects, as part of the first stage of the program, are to be completed between May 2010 and November 2011, securing an estimated 250 jobs.<sup>27</sup> By 2018, sites accounting for 90 per cent of the Government's total energy consumption are to undertake *Greener Government Buildings* projects. According to the Government, appropriate cost-effective solutions are to be implemented and savings generated are to be measured and verified annually.<sup>28</sup>

The Committee notes that:<sup>29</sup>

*This program will see initiatives such as energy efficient lighting, heating and air conditioning pay for the cost of the investment in savings over an eight year period... By making the majority of government buildings across Victoria more energy efficient, the state will reduce greenhouse gas emissions, save money on energy bills, and create jobs.*

Projects to be implemented in the first stage of the program include:<sup>30</sup>

- 16 CBD and regional office buildings, totalling 83,000 m<sup>2</sup> — energy consumption in these buildings is to be reduced by at least 33 per cent and water consumption by 8 per cent, with ongoing cost savings expected to be in excess of \$1 million per year;
- 62 regional public schools in the Grampians and Loddon Mallee regions — aiming to achieve at least 25 per cent reduction in energy use in these schools;
- the Heidelberg Repatriation Hospital and Royal Talbot Rehabilitation Centre;
- the Melbourne Sports and Aquatic Centre and State Netball and Hockey Centre;
- the Melbourne Museum, Royal Exhibition Building, Scienceworks, Immigration Museum and associated storage facilities;
- campuses operated by Kangan Batman TAFE;
- campuses operated by South West TAFE; and

26 Mr G. Jennings MLC, Minister for Environment and Climate Change, '\$215.3 million to secure our lifestyle in the face of climate change', media release, 4 May 2010

27 Department of Treasury and Finance, 'Greener Government Buildings', <[www.dtf.vic.gov.au/CA25713E0002EF43/pages/DTF-projects-greener-government-buildings](http://www.dtf.vic.gov.au/CA25713E0002EF43/pages/DTF-projects-greener-government-buildings)>, accessed 31 August 2010

28 *ibid.*

29 Mr G. Jennings MLC, Minister for Environment and Climate Change, 'Creating jobs to help bring Victoria a greener future', media release, 30 April 2010

30 Department of Treasury and Finance, 'Greener Government Buildings', <[www.dtf.vic.gov.au/CA25713E0002EF43/pages/DTF-projects-greener-government-buildings](http://www.dtf.vic.gov.au/CA25713E0002EF43/pages/DTF-projects-greener-government-buildings)>, accessed 31 August 2010; and Victorian Government, *Jobs for the Future Economy: Victoria's Action Plan for Green Jobs*, April 2010, p.13

- replacement of traffic light globes across the State with energy-efficient LED technology.

The Committee noted that the *Greener Government Buildings* initiative contained in the 2010-11 Budget provides \$15.7 million in 2010-11 and \$5.0 million in 2011-12 for reducing energy costs and water use in schools, community and Government buildings. This initiative also incorporates the *Traffic Lights Retrofit* program (Department of Transport) and the *Energy Upgrade Project* — Stages 1 and 2 (Department of Treasury and Finance).<sup>31</sup>

From an accountability perspective, the Committee considers that the annual measurement and verification of the savings generated from the *Greener Government Buildings* program is a positive element of the way in which the program is to be administered. Building on this initiative, the Committee believes there is scope for reporting against the expected targets of this program in the Government's *Growing Victoria Together* Progress Report contained in the budget papers with regard to the 'efficient use of natural resources' goal.

**Recommendation 41:**     **The Department of Treasury and Finance report on the performance of the *Greener Government Buildings* program against the energy and water consumption targets in the *Growing Victoria Together* Progress Report contained in the budget papers.**

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31     Budget Paper No.3, *2010-11 Service Delivery*, pp.282, 290

## CHAPTER 13: CARING COMMUNITIES

### Key findings of the Committee:

- 13.1** The 2010-11 Budget contains a number of initiatives aimed at improving public safety. These include:
- an additional 1,966 officers to front line policing by June 2015 (\$672 million over 4-5 years for various strategies);
  - an additional 55 youth workers to support vulnerable young people engaging in risky behaviour and to tackle the knife culture on Victorian streets (\$22 million over four years); and
  - the upgrading of 20 railway stations to premium stations, including the recruitment of 100 station staff, to improve safety for public transport users (\$29 million over four years and \$55 million TEI).
- 13.2** The Committee noted that overall crime has decreased by 29.9 per cent as a rate per 100,000 population from 2000-01 to 2009-10 (6.4 per cent since 2008-09). It was also of interest to the Committee that the crime rate on public transport (per million trips) was down 8.4 per cent over the past year. The Committee noted that in comparison to 2008-09, the total of offences relating to crimes against the person not arising from family incidents (as a rate per 100,000 population) decreased by 1.0 per cent. Crimes against the person, including family incidents (as a rate per 100,000 population), have increased by 0.7 per cent since 2008-09.
- 13.3** With 450 additional police officers to be appointed by 30 June 2011, as well as extra police over the following four years, the Committee believes that there should be a significant impact on reducing crimes against the person. These additional officers need to be appropriately trained and the recruitment base should be widened to reflect the broad spectrum of ethnic groups that reside in Victoria.
- 13.4** The Department of Justice should arrange for the disclosure of a stratification of violations detected by the Safe Streets Task Force and the Operations Response Unit according to location as a deterrent.
- 13.5** Provisional figures arising from six planned searches conducted on the Footscray, North Melbourne, Dandenong, Darebin, Flinders Street and Sunshine train stations in relation to tackling knife-related crime revealed that 440 banned items had been handed in, including 243 edged weapons.
- 13.6** There was a decrease in the use of knives in robberies of over 19 per cent in the last year and assaults with knives also fell by 2.6 per cent over the 12 month period.
- 13.7** The Department of Human Services should develop performance measures that relate to the youth workers initiative.
- 13.8** To address public safety concerns relating to public transport, 200 of the initial additional operational police in the first year will be allocated to the new Operations Response Unit. This unit, in conjunction with Victoria Police's Transit Safety Division, will be aimed at increasing operational patrols 'in and around' the transit system.

- 13.9** To assist with achieving the vision and strategic directions outlined in *Because Mental Health Matters: Victorian Mental Health Reform Strategy 2009-19*, the 2010-11 Budget invests \$174.9 million over four years for mental health initiatives. These budget initiatives build on more than \$300 million already committed from 2008-09 to 2012-13 to implement critical aspects of the mental health reform agenda.
- 13.10** To advance the goals of the strategy over the next two years, the Department of Human Services issued a strategy implementation plan in January 2010 titled *Victorian Mental Health Reform Strategy 2009-2019: Implementation Plan 2009-11*. The strategy implementation plan outlines 182 specific actions to be undertaken in eight reform areas.
- 13.11** The Committee was interested in the concept of maximising the value to be derived from the implementation of State-funded mental health support programs in order to achieve cost savings. The Committee noted that post-release support programs addressing prisoners' holistic needs, including their mental health needs, have been found to be highly effective in reducing recidivism rates (up to 70 per cent reduction). Thus a program costing around \$10,000 per person can avoid a cost of \$75,000 per annum per prisoner.
- 13.12** Similarly, provision of psycho-social support linked to community housing has been shown to reduce hospitalisation by up to 90 per cent in a group previously averaging up to 65 days in hospital each year. One unit of public housing at around \$6,000 a year, linked with \$15,000 of psycho-social support, is significantly less expensive than a hospital bed at around \$40,000 (based on a stay of 65 days).
- 13.13** The latest Australian secondary schools alcohol and drug survey indicates that there has been an increase in ecstasy use by young people, particularly among 16 and 17 year-olds. To address this issue the Minister for Mental Health advised the Committee of a \$500,000 education campaign that is to be targeted at Victorians aged between 14 and 17. The campaign will focus on the dangerous short and long-term consequences of using ecstasy.

## **13.1 Introduction**

The two goals under the 'Caring Communities' vision of the *Growing Victoria Together* (GVT) initiative are:

- building friendly confident and safe communities; and
- a fairer society that reduces disadvantage and respects diversity.

In considering the 2010-11 budget estimates, the Committee asked a total 122 questions in relation to the 'Caring Communities' vision. This comprised 27 per cent of the total questions asked during the budget estimates hearings.

The answers provided at the budget estimates hearings were recorded by Hansard and the transcripts of evidence have been reproduced in parts one and two of the *Report on the 2010-11 Budget Estimates*.

This chapter presents information about and analysis of a number of key issues canvassed by the Committee at the budget estimates hearings concerning Government services and activities relevant to the 'Caring Communities' vision of *Growing Victoria Together*.

## 13.2 Building friendly, confident and safe communities

This section covers the Committee's examination of a number of key budget initiatives relating to the Government's commitment to ensuring that Victorians feel safe.

Two public safety issues of particular interest to the Committee related to:

- tackling knife culture on Victorian streets; and
- improving safety for public transport users.

### 13.2.1 Public safety

One of the Government's intentions for 2010 was to focus on providing a safe community for all Victorians. To achieve this, the Government is committed to providing new powers and resources for Victoria Police to address growing problems in our community, including excessive drinking, use of knives and any racially motivated crime, in order to enforce laws and deter crime.<sup>1</sup> As indicated by the Government, consistent with trends experienced in other states and overseas, there has been a recent increase in alcohol-related street violence. Strategies pursued to address this issue include strengthening powers for police to randomly search people for knives and other weapons in designated areas.<sup>2</sup>

The Committee notes that the Budget contained a number of initiatives aimed at improving public safety. These included:<sup>3</sup>

- an additional 1,966 officers to front line policing by June 2015 (\$672 million allocated over 4-5 years for various strategies);
- an additional 55 youth workers to support vulnerable young people engaging in risky behaviour and to tackle the knife culture on Victorian streets (\$22 million over four years); and
- the upgrading of 20 railway stations to premium stations, including the recruitment of 100 station staff, to improve safety for public transport users (\$29 million over four years and \$55 million TEI).

### Crime in Victoria

*Growing Victoria Together* set a target of reducing crime by 5 per cent from 2003 to 2008. The standard measure used is the number of crimes per 100,000 people. Statistics indicate that the crime rate (per 100,000 people) fell by 16.5 per cent over that period.<sup>4</sup> The Government has set a new target of reducing crime by a further 12 per cent between 2008 and 2013.<sup>5</sup>

1 Victorian Government, *Annual Statement of Government Intentions*, February 2010, p.21

2 *ibid.*, p.22

3 Budget Paper No.3, *2010-11 Service Delivery*, pp.24-5

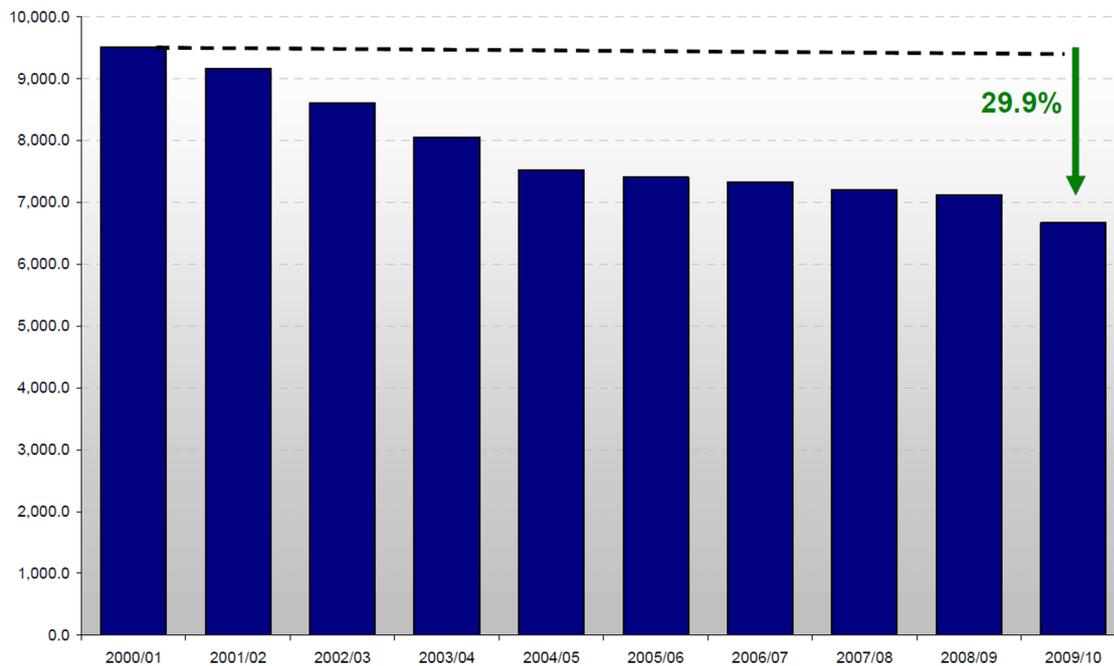
4 *ibid.*, p.413

5 Victoria Police, *The Way Ahead 2008-2013*, p.9

At the budget estimates hearing, information was provided to the Committee about trends in crime and crime reduction strategies. The Minister for Police and Emergency Services informed the Committee that there had been a reduction in the overall crime rate of 25.5 per cent (as a rate per 100,000 population) since 2000-01, and that offences against the person have been relatively static as a rate per 100,000 population, excluding family violence.<sup>6</sup> The Committee noted that there has been an increase of 16.3 per cent in family violence incidents reported to police between 2004-05 and 2008-09.<sup>7</sup> As increased reporting signifies that community members have the confidence to report family violence to police,<sup>8</sup> rather than an increase in crisis, these statistics have not been included in the rate of offences against the person.

The most recent crime statistics (released on 6 September 2010) show a decrease in crime in Victoria by 6.4 per cent in the last year and a decrease in the overall crime rate (per 100,000 people) of 29.9 per cent since 2000-01 (see Figure 13.1).<sup>9</sup> This is the lowest crime rate since the implementation of the LEAP system in March 1993.<sup>10</sup>

**Figure 13.1: Overall crime rate per 100,000 population per year 2000-01 to 2009-10**



Source: Victoria Police, *Crime Statistics 2009-10, September 2010, Figure 2, p.6*

6 Hon. B. Cameron MP, Minister for Police and Emergency Services, 2010-11 budget estimates hearing, transcript of evidence, 14 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, pp.M10, M14)

7 Victoria Police, *2008-09 Annual Report*, p.16

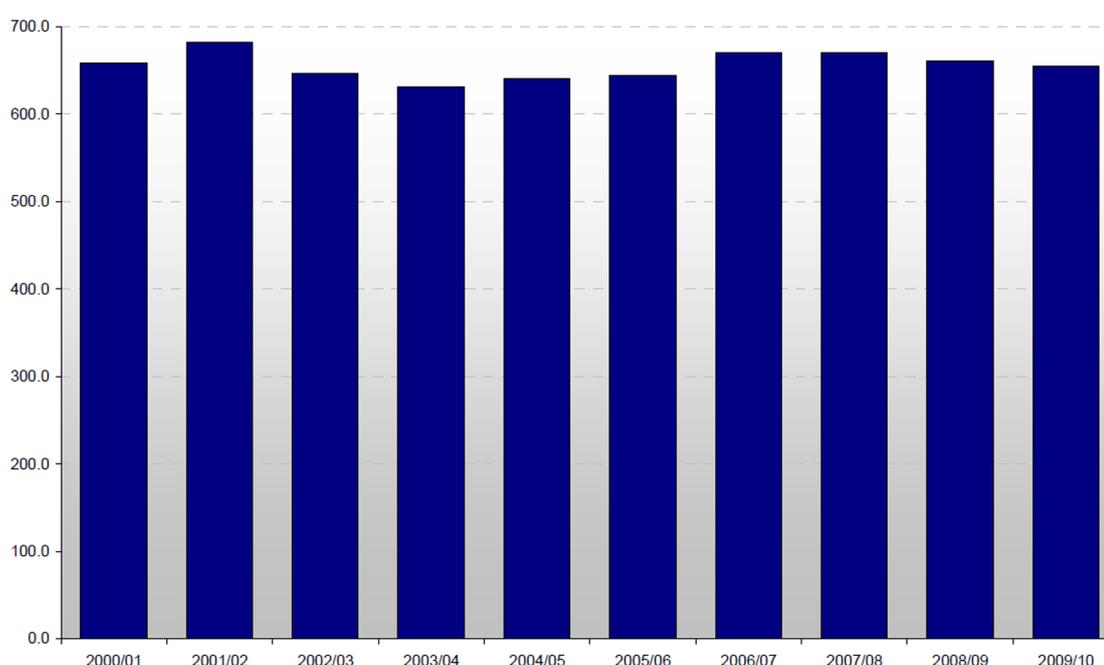
8 *ibid.*

9 Victoria Police, *Crime Statistics 2009-10, September 2010*, p.5 and Figure 2, p. 6

10 *ibid.*, p.3

Robberies are down by 8.8 per cent in the last year and 37.7 per cent since 2000-01, and the crime rate on public transport (per million trips) is down by 8.4 per cent and 48.8 per cent over the same periods respectively.<sup>11</sup> Offences against the person (not arising from family violence) declined 1 per cent over the last year and are down 0.6 per cent since 2000-01 (see Figure 13.2). Crimes against the person, including family incidents (as a rate per 100,000 population), have increased by 0.7 per cent since 2008-09.<sup>12</sup>

**Figure 13.2: Offences against the person not arising from family violence (rate per 100,000 population per year) 2000-01 to 2009-10**



Source: Victoria Police, *Crime Statistics 2009-10*, September 2010, Figure 20, p.17

The Committee heard that the Government wants to see a downward trend in relation to offences against the person and there is a need to tackle issues on the streets and around assaults.<sup>13</sup> In dealing with public order on the streets, the Committee was informed by the Minister that *‘it is about taking strong and decisive action early and actually not allowing behaviour to continue — to de-escalate’*.<sup>14</sup> The Committee noted that the Government has a target for a 2.0 per cent reduction in crimes against the person for 2010-11.<sup>15</sup>

In terms of budget strategies to make Victoria’s streets and communities safer, the Committee notes that the \$672 million plan to deliver an additional 1,966 officers to front line policing by June 2015 is made up of:<sup>16</sup>

11 Hon. B. Cameron MP, Minister for Police and Emergency Services, ‘Victorian Crime Rate Drops by 30 per cent Under Labor’, media release, 6 September 2010

12 Victoria Police, *Crime Statistics 2009-10*, September 2010, p.5

13 Hon. B. Cameron MP, Minister for Police and Emergency Services, 2010-11 budget estimates hearing, transcript of evidence, 14 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.M14)

14 *ibid.*

15 Budget Paper No.3, *2010-11 Service Delivery*, p.138

16 *ibid.*, p.25

- an additional 1,700 net additional sworn police by June 2015;
- the recruitment of an additional 200 unsworn Victorian public service staff for Victoria Police that will free up 200 sworn police officers to be deployed to front line roles over four years; and
- the release of a further 66 sworn police officers for redeployment to front line duties over four years as a result of consolidating police call-taking and dispatch for country areas in Ballarat.

Given that 450 additional police officers are to be appointed by 30 June 2011<sup>17</sup> as well as extra police over the following four years, the Committee believes that this should result in a significant impact on reducing crimes against the person. Victoria Police may need to revise indicative crime targets in future in this area. The Committee also believes that because crimes against the person are made up of various elements, to enable meaningful analysis of performance in this area, the performance measure should be supplemented with information relating to the key components of these crimes such as assaults and family violence.

**Recommendation 42: Victoria Police consider redefining the ‘Reduction in crimes against the person’ performance measure to also disclose further information on key components, such as assaults and family violence.**

The Committee supports the view expressed by the Minister that the Chief Commissioner will ensure that these additional officers are appropriately trained. The Committee also acknowledges that, in view of Victoria’s diverse community, there is a need to widen the recruitment base so that there is an appropriate representation within the police organisation from the broad spectrum of ethnic groups that reside in Victoria.<sup>18</sup>

In terms of tackling street violence, the Committee was informed that the 2010-11 Budget would assist various strategies that have been implemented in recent times. These strategies have included:<sup>19</sup>

- the establishment of the Safe Streets Task Force, which has been active in tackling alcohol-fuelled violence in and around the Central Business District and which has issued over 18,800 infringement notices, detected over 8,000 drunks and arrested over 3,300 people since its inception in 2007-08; and
- the creation of the Operations Response Unit in March 2010 to target trouble spots, which it is anticipated will build up to 500 or 600 in strength and which has been primarily initially focused on public order issues in and around licensed premises as well as on the public transport system and around particular rail stations.

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17 Mr S. Overland, Chief Commissioner, Victoria Police, 2010-11 budget estimates hearing, transcript of evidence, 14 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.M8)

18 Hon. B. Cameron MP, Minister for Police and Emergency Services, 2010-11 budget estimates hearing, transcript of evidence, 14 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.M8)

19 *ibid.*, p.M10

The Committee believes that the Department of Justice and Victoria Police should advise the public on a regular basis of the outcomes of action by the Safe Streets Task Force and the Operations Response Unit as a deterrent for the future.

**Recommendation 43:** **As a strategy to deter future street violence, the Department of Justice and Victoria Police arrange for outcomes achieved by the Safe Streets Task Force and the Operations Response Unit to be publicly reported on a regular basis.**

### ***Tackling knife culture on Victorian streets***

The Committee heard at the budget estimates hearing that six planned searches had been conducted on the Footscray, North Melbourne, Dandenong, Darebin, Flinders Street and Sunshine train stations in relation to tackling knife-related crime. Provisional figures showed that 440 banned items had been handed in, including 243 edged weapons. The Government's enforcement strategy involves getting the public used to the concept that there is a risk of detection. People are given seven days notice that searches will be conducted in designated areas. If weapons are not found on a consistent basis, this will apparently provide evidence that the message of 'do not carry weapons' is getting across to people.<sup>20</sup> The Committee also heard that the issue of on-the-spot fines of \$1000 for a first time offence and a doubling of the penalty if detected with a controlled weapon in the immediate vicinity of licensed premises are also important.<sup>21</sup>

In terms of establishing the reasons why young people carry knives, the Committee was interested to hear that:<sup>22</sup>

*The evidence is that they carry them for two reasons: they carry them because it is cool, and the second reason is that there is this sort of knives arms race going on, where because everyone else is carrying them, they think they need to carry them. Sadly the evidence is that if they carry them they will use them at some stage, and that is a devastating outcome obviously for the person who is stabbed but it is also a devastating outcome for the young person who actually uses a knife, because then they find themselves in very, very serious trouble.*

The Parliament has been supportive of recent legislative initiatives to crack down on an emerging knife culture and their implementation by police. The Committee notes that there was a decrease in the use of knives in robberies of over 19 per cent in the last year and that assaults with knives also fell by 2.6 per cent over the 12 month period.<sup>23</sup>

20 Hon. B. Cameron MP, Minister for Police and Emergency Services and Mr S Overland, Chief Commissioner, Victoria Police, 2010-11 budget estimates hearing, transcript of evidence, 14 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.M31)

21 Mr S. Overland, Chief Commissioner, Victoria Police, 2010-11 Budget Estimates hearing, transcript of evidence, 14 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.M32)

22 Hon. B. Cameron MP, Minister for Police and Emergency Services, 2010-11 budget estimates hearing, transcript of evidence, 14 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.M32)

23 Victoria Police, *Crime Statistics 2009-10*, September 2010, pp. 23, 25

Given concerns in the Victorian community over street crime and the carrying of knives,<sup>24</sup> the Committee notes that the 2010-11 Budget provides \$22 million over four years to address the causes of youth crime.<sup>25</sup> Emphasis will be placed on tackling the knife culture on our streets and supporting vulnerable young people engaging in risky behaviour to become healthy, well-functioning adults with positive futures. Funding has been provided to:<sup>26</sup>

- engage an additional 55 youth workers on the ground across the State to connect young people with the support they need to assist them address the underlying causes of offending behaviour;
- introduce a new behaviour change program;
- establish a new response team of youth workers to assist police; and
- implement a supervised bail pilot project.

The Committee noted that:<sup>27</sup>

*The new youth workers will be based in community sector organisations and Department of Human Services youth justice units. Our Government is establishing a response team of youth workers to work with young people to change their behaviour before they offend... The youth workers will also support police dealing with young people in crime hotspots. Young people found carrying a knife will participate in a new program to address their behaviour and understand the consequences of carrying weapons.*

It is the Committee's belief that the Department of Human Services should develop performance measures to assess the effectiveness of the youth workers budget initiative in terms of changing the behaviour of young people with regard to the knife culture on our streets.

**Recommendation 44: The Department of Human Services develop performance measures that relate to the youth workers budget initiative.**

### ***Improving safety for public transport users***

Public transport usage has grown dramatically over the last decade. In that time, patronage across all modes has grown by 41 per cent.<sup>28</sup>

This trend is continuing with year on year patronage on trains, trams and buses increasing between 2007-08 and 2008-09 (see Table 13.1).

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24 Department of Human Services, 'Youth Services: Positive futures for young people at risk', <[www.dhs.vic.au/about-the-department/budget/2010/Youth-Services](http://www.dhs.vic.au/about-the-department/budget/2010/Youth-Services)>, accessed 19 August 2010

25 Budget Paper No.3, *2010-11 Service Delivery*, pp.25, 314

26 Department of Human Services, 'Youth Services: Positive futures for young people at risk', <[www.dhs.vic.au/about-the-department/budget/2010/Youth-Services](http://www.dhs.vic.au/about-the-department/budget/2010/Youth-Services)>, accessed 19 August 2010

27 Hon. J. Brumby MP, Premier of Victoria, '1,966 More Police: Brumby's Frontline Focus,' media release, 28 April 2010

28 Mr J. Betts, Department of Transport, correspondence received 9 September 2010

**Table 13.1: Public transport patronage 2007-08 compared to 2008-09**

Mode of transport	Passengers carried 2007-08 (million)	Passengers carried 2008-09 (million)	Variance (%)
Train	201.2	213.9	6.3
Tram	158.3	178.1	12.5
Bus	91.3	99.5	9.0

Source: Department of Transport, *Annual Report 2007-08*, p.196 and Department of Transport, *Annual Report 2008-09*, p.165

The Committee noted that over the last decade of growth in patronage, the crime rate (per million trips) fell by 48.8 per cent and the most recent crime figures show a drop in crime on public transport in 2009-10 of 8.4 per cent.<sup>29</sup>

While the most recently released statistics for 2009-10 show a reduction in overall crime on public transport, there was a small increase in crimes against the person (1.3 per cent as a rate per 100,000 population). On this measure, robberies were down 6.3 per cent, assaults up by 6.4 per cent and rape down by 34.7 per cent. Crimes against property (e.g. theft and property damage) were down 12.7 per cent.<sup>30</sup>

At the budget estimates hearings, the Committee was informed of strategies to be implemented in future to address public safety concerns relating to public transport. The Committee heard that 200 of the initial additional operational police in the first year will be allocated to the new Operations Response Unit, which was formed in March 2010 to tackle issues across the State, particularly those that relate to violence and alcohol-related violence. This unit, in conjunction with Victoria Police's Transit Safety Division, will be aimed at increasing operational patrols 'in and around' the transit system. As the community needs to be reassured that the transport system is safe, the Committee was advised that a lot of high visibility patrols will need to be run on, and in and around, the transit system. The train stations to be targeted will be governed by the intelligence and by operational requirements.<sup>31</sup>

With regard to the Committee's interest in which railway stations the additional police will be allocated to, the Chief Commission of Police stated that:<sup>32</sup>

*The point I want to make is that crime on the trains themselves is decreasing. The issue is now in and around certain stations, so we need the flexibility to be able to move the resources to where the problem goes... I do not want to commit to exact details, because it will be very much determined by what our intelligence is telling us. We know that as we concentrate and saturate a particular area it will do two things: we will partly reduce, but we will also displace. So we then need the flexibility to be able to move the resources to where the crime is displaced. Our intelligence at the moment is telling us that it is being displaced off the trains, out of the stations and*

29 Hon. B. Cameron MP, Minister for Police and Emergency Services, 'Victorian Crime Rate Drops by 30 per cent Under Labor', media release, 6 September 2010

30 Victoria Police, *Crime Statistics 2009-10, September 2010*, Figure 14, p.14

31 Mr. S. Overland, Chief Commissioner, Victoria Police, 2010-11 budget estimates hearing, transcript of evidence, 14 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.M33)

32 *ibid.*

*now within about a 2 or 3 kilometre radius of particular railway stations across the metropolitan area.*

In examining the budget estimates, the Committee was also interested in hearing about the benefits that would be derived by local communities from the provision of funding in the Budget to upgrade 20 stations to premium stations.<sup>33</sup> The stations being upgraded to premium are Seaford, Parkdale, Hallam, Prahran, Holmesglen, Upwey, Ormond, Westall, Chelsea, Windsor, Newmarket, Moonee Ponds, Hoppers Crossing, Carnegie, North Brighton, Lalor, Ginifer, East Richmond, Northcote and Highett.<sup>34</sup>

The Committee heard that:<sup>35</sup>

- the 20 stations will be staffed from the first train to the last train, seven days a week;
- the selection of the 20 stations was based on patronage and security and their location around the network;
- when the upgrade is completed there will be 97 premium stations across the network — almost 50 per cent of all stations will be premium;
- among other benefits, increasing the staffing at stations provides more security for passengers, including better closed circuit television coverage; and
- Metro is going to staff another 22 stations at peak periods.

The Committee believes that, in view of particular high growth areas, the Government will need to be conscious of this consideration in the longer-term for the future development of premium stations.

**Recommendation 45: The Department of Transport consider high growth areas when selecting locations for future premium stations.**

### **13.3 A fairer society that reduces disadvantage and respects diversity**

#### **13.3.1 Mental health reform**

##### **Background**

The Committee notes that, although an estimated 19 per cent of the population is affected by a mental health problem in any 12 month period, only 12 per cent report seeking help for this problem. On the basis of population growth alone, the estimated prevalence of mental health problems in Victoria will grow from 1,000,000 people in 2009 to 1,100,000 in 2019. The Government, however, claims that this figure is likely to be even higher due to a range of factors including the ageing of the population.<sup>36</sup>

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33 Budget Paper No.3, *2010-11 Service Delivery*, pp.351–3

34 Mr M. Pakula MLC, Minister for Transport, 2010-11 budget estimates hearing, transcript of evidence, 12 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.R8)

35 *ibid.*

36 Department of Human Services, *Because Mental Health Matters: Victorian Mental Health Reform Strategy 2009-2019*, March 2009, pp.29–30

As acknowledged by the Government, the effects of mental health problems are seen every day in the broader service sector. A breakdown of the service sectors that experience people with mental health problems on a daily basis follows:<sup>37</sup>

- police and courts;
- housing and homelessness support services;
- primary healthy care providers;
- child and family services;
- youth services;
- aged care facilities;
- alcohol and other drug services; and
- community settings such as schools and sporting clubs.

The Committee noted that between a quarter and a third of clients with a mental health issue are involved with other social programs. A breakdown according to social programs follows:<sup>38</sup>

- alcohol and other drug treatment      30 per cent
- homeless services                              30 per cent
- prisoners                                        27 per cent
- youth justice system                        30 per cent
- child protection (parents)                23 per cent
- disability support pension                24 per cent

### **Strategy and funding context**

The 2010-11 Budget provides new investment for continuing the implementation of the Government's *Because Mental Health Matters: Victorian Mental Health Reform Strategy 2009-19*. Based on core elements relating to prevention, early intervention, recovery and social inclusion, the strategy sets out a 'whole of Victorian government' ten-year plan for mental health. It is recognised that mental health cannot solely be the concern of the specialist mental health services and that there are multiple social determinants of mental health. The Government views the response to mental health problems in terms of partnerships between Commonwealth, State and local levels of government; private, public and non-government organisation sectors; and between services, consumers and carers.<sup>39</sup>

Given that the 2009-19 strategy proposed a program of reform to be achieved in a staged way over a ten-year period, the strategy foreshadowed the development of more concrete action plans,

37      *ibid.*, p.39

38      *ibid.*, p.40

39      General Practice Victoria, *Because Mental Health Matters: Victorian Mental Health Reform Strategy 2009-2019* — *General Practice Victoria Summary*, March 2009, p.1

commencing in the first half of 2009.<sup>40</sup> In this regard, the Department of Human Services issued a strategy implementation plan in January 2010 titled *Victorian Mental Health Reform Strategy 2009-2019: Implementation Plan 2009-11* which sets out the major concrete actions that are to be undertaken by the Government and partners from across the mental health sector to advance the goals of the strategy over the next two years.<sup>41</sup> The strategy implementation plan outlines 182 specific actions to be undertaken in eight reform areas that make up the overall strategy. These actions will form the basis for an annual reform activity report and a three-year progress report.<sup>42</sup> A dissection of these actions according to each of the reform areas is shown in Table 13.2.

**Table 13.2: Mental health implementation plan — categorisation of specific actions against reform areas**

Reform area	Number of specific actions
Promoting health and wellbeing	27
Early in life	21
Pathways to care	19
Specialist care	48
Participation in the community	17
Reducing inequality	18
Workforce and innovation	25
Partnerships and accountability	7
<b>Total</b>	<b>182</b>

Source: Department of Human Services, *Victorian Mental Health Reform Strategy 2009-2019: Implementation Plan 2009-2011*, January 2010

The Committee notes the development of a whole-of-government mental health outcomes framework (with agreed measures) that will inform regular reporting on how things are improving and provide the basis of the publication of a five-year outcomes report.<sup>43</sup> The Committee also notes that, given that mental health is an evolving area, any changes to the plan will be reflected in updates to the plan and promoted on the strategy website.<sup>44</sup> The Committee supports the level of disclosure that is proposed because of the wide range of stakeholders that have an interest in this topic. As stated by the Premier:<sup>45</sup>

*Mental health is an issue for the entire community. Most people will feel the impact of mental illness at some time in their lives, either through their own experience, or through family or friends, or in the workplace.*

40 Victorian Government, *Because Mental Health Matters: Victorian Mental Health Reform Strategy 2009-2019*, March 2009, p.42

41 Department of Human Services, *Victorian Mental Health Reform Strategy 2009-2019: Implementation Plan 2009-2011*, January 2010, Foreword

42 *ibid.*, p.6

43 *ibid.*, p.17

44 *ibid.*, p.6

45 Department of Human Services, *Because Mental Health Matters: Victorian Mental Health Reform Strategy 2009-2019*, March 2009, Premier's message

The Committee notes that the governance structure established to oversee and contribute to the implementation of the strategic directions identified in the strategy includes the establishment of:<sup>46</sup>

- an Interdepartmental Committee on Mental Health that enables high-level, whole-of-government decision making to drive mental health reform; and
- the Victorian Mental Health Reform Council, which is the leading body that oversees the reform strategy.

The Committee also noted that at the Commonwealth level, a revised *National Mental Health Policy* has been released and the *Fourth National Mental Health Plan 2009-2014* has been finalised. In terms of ongoing development, the Department of Human Services stated that:<sup>47</sup>

*The commitment in the fourth plan to monitor and report on certain indicators will need to be factored into outcomes reporting for the Victorian strategy. As implementation arrangements and priorities for the fourth plan become clear in the first part of 2010, the extent of any required adjustment to particular aspects of the strategy implementation plan will be assessed.*

To assist in achieving the vision and strategic directions outlined in *Because Mental Health Matters: Victorian Mental Health Reform Strategy 2009-19*, the 2010-11 Budget invests \$174.9 million over four years for mental health initiatives. These budget initiatives build on more than \$300 million already committed from 2008-09 to 2012-13 to implement critical aspects of the mental health reform agenda.<sup>48</sup> A breakdown of this funding is given in Table 13.3.

46 Department of Human Services, *Victorian Mental Health Reform Strategy 2009-2019: Implementation Plan 2009-2011*, January 2010, p.15

47 *ibid.*, p.11

48 Department of Health, *Victorian Health Services Policy and Funding Guidelines 2010-11: Mental Health*, p.3; and Department of Human Services, *Victorian Mental Health Reform Strategy 2009-2019: Implementation Plan 2009-2011*, January 2010, p.9

**Table 13.3: Mental health funding in the 2010-11 Budget**

Description of initiative	Funding (\$ million)
A youth suicide prevention community support program	3.6 over four years
Two new rural youth early intervention teams	4.9 over four years
Two metropolitan community-based crisis response teams targeted at teenagers and young people aged 12-25 years	3.5 over four years
Provision of teachers and early childhood professionals with specialist mental health training, including funding 70 Mental Health Graduate Diplomas for Teaching Professionals at Monash University	2.5 over four years
Implementation of the 24-hour triage service initiative as well as, among other things, implementation of a demonstration project connected with supporting people experiencing a psychiatric emergency in the community and their families	2.7 over four years
Establishment of two new outreach teams to enable better treatment and care for older people with severe mental illness and, where possible, prevent the need for hospitalisation	4.9 over four years
Opening new mental health inpatient services as part of the Growth in Hospital Services initiative — Northern Hospital, Geelong Hospital, Frankston Youth Prevention and Recovery Care Service and Bendigo Youth Prevention and Recovery Care Service	45.9 over four years
Managing compulsory mental health care	36.6 over four years
Infrastructure funding — construct a 22 bed community care unit at the Heidelberg Repatriation Hospital	14.2
New mental health inpatient facility for the new Bendigo Hospital	56.0
<b>Total funding in the 2010-11 budget for mental health initiatives</b>	<b>174.9</b>

Source: Department of Health, *Victorian Health Services Policy and Funding Guidelines 2010-11: Mental Health*, pp.3–4

The Committee also noted that the Commonwealth agreed to invest a further \$386 million in Commonwealth-run health services in Victoria over the next four years which included funding for, among other things, mental health services.<sup>49</sup>

### ***Investment in State-funded support programs — maximising the value***

The Committee was interested in the concept of maximising the value to be derived from the implementation of State-funded support programs in order to achieve cost savings. The Victorian Mental Health Reform Strategy 2009-2019 outlined two examples of the impact that support provided to address mental health needs has had on reducing overall costs in the future. These two examples are set out below:<sup>50</sup>

*Investment in state-funded support programs can reduce the usage of more expensive and intensive services downstream.*

49 Budget Information Paper No.2, *Putting Patients First*, p.3

50 Department of Human Services, *Because Mental Health Matters: Victorian Mental Health Reform Strategy 2009-2019*, March 2009, p.39

*For example, post release support programs that address a prisoner's holistic needs, including their mental health needs, have been found to be highly effective in reducing recidivism rates (up to 70 per cent reduction). Thus a program costing around \$10,000 per person can avoid a cost of \$75,000 per annum per prisoner.*

*Similarly, provision of psychosocial support linked to community housing has been shown to reduce hospitalisation by up to 90 per cent in a group previously averaging up to 65 days in hospital each year. One unit of public housing at around \$6,000 a year, linked with \$15,000 of psychosocial support, is significantly less expensive than a hospital bed at around \$40,000 (based on a stay of 65 days).*

The Committee supports the importance placed by the Government on intervening at an early stage in order to increase the value of these kinds of investments. Building the capacity of justice, education, family welfare and other service systems to identify clients experiencing mental health problems will be crucial for early intervention to occur in these cases.

**Recommendation 46: The Department of Health develop an action plan that identifies and targets areas across government where an early interventionist approach would reduce downstream usage of more costly services.**

### ***Increase in the use of ecstasy by young people***

At the budget estimates hearing, the Minister for Mental Health brought to the Committee's attention the finding from the latest Australian secondary schools alcohol and drug survey that there has been an increase in ecstasy use by young people. According to the Minister:<sup>51</sup>

*Changes over time are seeing an increase particularly amongst 16 and 17-year olds. We also know that ecstasy use is one of those amphetamines where young people tend to use this form of amphetamine when they are younger than with other form of amphetamines. We have also seen a bit of a change through a survey this time of the number of young people who are indicating that they see occasional use of ecstasy as less dangerous than they saw it in the last survey... We know that the effects of any drug can vary from person to person. Because ecstasy is commonly used prior to or during dance or rave parties, the stimulant effects are likely to increase. The irony about this drug is that when it is most likely to be used is when it is at its most dangerous because of the risk of overheating that occurs as a result of those dance parties. We know there are real dangers in the use of ecstasy use. We want to get that message out to young Victorians.*

The 2005 survey of Australian secondary school students' use of over-the-counter and illicit substances showed that there was a small, but significant, increase in the proportion of 16 and 17 year-old students who indicated they had used ecstasy in the month before the survey between 1996 and 2005.<sup>52</sup> To address this issue, the Minister for Mental Health advised the Committee of a \$500,000 education campaign. This strategy, which is to be targeted at Victorians aged between 14 and 17, will focus on the dangerous short and long-term consequences of using ecstasy, such

51 Hon. L. Neville MP, Minister for Mental Health, 2010-11 budget estimates hearing, transcript of evidence, 19 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Two*, May 2010, p.B3)

52 Commonwealth Government Department of Health and Ageing, Drug Strategy Branch, *Australian Secondary School Students' Use of Over-the-Counter and Illicit Substances in 2005*, June 2006, p.37

as mental health impacts, come downs, irritability and potential death. With an aim of intervening earlier, young people are to be made aware of the serious harms and risks that are associated with experimenting with ecstasy.<sup>53</sup>

The Committee appreciates the importance of educating young Victorians who experiment with ecstasy in order to prevent or delay future drug problems. With this in mind, as research shows that approximately one in eight 20-24 year-olds had recently used ecstasy in 2004,<sup>54</sup> the Department of Health should consider research to assess, not only the impact that the education campaign has had on increasing the awareness of Victorians aged between 14 and 17 on the dangerous impact of using ecstasy, but also on whether this awareness has translated to behaviour when they are in their twenties.

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53 Hon. L. Neville MP, Minister for Mental Health, 2010-11 budget estimates hearing, transcript of evidence, 19 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Two*, May 2010, p.B3)

54 Australian Institute of Health and Welfare, *Statistics on Drug Use in Australia 2004*, pp.xvi, 24

## CHAPTER 14: VIBRANT DEMOCRACY

### Key findings of the Committee:

- 14.1 Victoria's AAA credit rating was reaffirmed by Standard & Poor's in September 2009 and Moody's Investor's Service in January 2009. Standard and Poor's confirmed that the 2010-11 Budget was in line with the AAA rating in May 2010.
- 14.2 The 2010-11 Budget aims to achieve an operating surplus of \$871.9 million, well above the Government's current operating surplus target of at least \$100 million.
- 14.3 The Government anticipates only moderate growth in borrowings from 2012 onwards, as the infrastructure program reduces from its peak. The Government forecasts that by 2013-14 cash surpluses will fund the entire infrastructure program without the need for additional borrowings.
- 14.4 Since the *2009-10 Budget Update*, projections of net debt as a percentage of GSP have been revised downwards by around 1 per cent over the forward estimates period. The Committee notes that this is a significant decrease and reflects strong economic growth and sound financial management.
- 14.5 As a percentage of GSP, Government net financial liabilities are expected to increase from 11.2 per cent at June 2010 to 12.0 per cent at June 2012, before declining to 11.3 per cent by June 2014.
- 14.6 The strategies underpinning the 2010-11 Budget should enable a positive assessment of the State's economic performance over the ensuing four years by ratings agencies.
- 14.7 The Government has been able to obtain long-term borrowings throughout the Global Financial Crisis without the need to access the Commonwealth Guarantee, reflecting the State's strong financial position during the crisis period.
- 14.8 The Government's decision to forego the Commonwealth Guarantee has saved Victorian taxpayers in excess of \$100 million over the life of the existing debt.
- 14.9 The *Reducing the Regulatory Burden* initiative is making good progress towards achieving its five-year target of a 25 per cent (or \$256 million) reduction in the administrative burden of regulation by July 2011. To date, completed initiatives and those in progress have already achieved an estimated reduction of \$246 million per annum across all Government services.
- 14.10 In September 2009, the Government set a new challenge of reducing the regulatory burden by \$500 million by July 2012. Expanded reporting on progress should include contribution by initiative to this target.
- 14.11 Measures contained in the 2010-11 Budget to reduce payroll tax, WorkCover premiums and business compliance costs will assist the Government in pursuing its strategy of ensuring that Victoria remains a competitive place to do business.

**14.12 The Committee believes that accountability would be enhanced if the Department of Planning and Community Development reported on its website the *Councils Reforming Business* program’s contribution to the *Reducing Regulatory Burden* target.**

## 14.1 Introduction

‘Vibrant Democracy’, in the context of the Victorian State Budget, is about open and accountable Government and the State’s ability to attract people, promote investment, create new jobs, provide better services and protect the environment.<sup>1</sup> Vibrant Democracy is one of five visions of the Government’s initiative *Growing Victoria Together*. The goals of Vibrant Democracy include:

- greater public participation;
- more accountable government; and
- sound financial management.

In examining the 2010-11 budget estimates, the Committee asked a total of 62 questions pertaining to the Vibrant Democracy vision. This represented 13.8 per cent of all questions asked in the 42 budget estimates hearings held in May 2010.

This chapter sets out an analysis of the following key issues raised by the Committee at the budget estimates hearings relating to the Vibrant Democracy vision of *Growing Victoria Together*:

- maintaining Victoria’s AAA credit rating; and
- initiatives in the Budget to reduce the regulatory burden on business and build a more competitive business environment.

## 14.2 Maintaining Victoria’s AAA credit rating

As indicated in Chapter 2 above, Victoria’s AAA credit rating was reaffirmed by Standard & Poor’s (S&P) in September 2009 and Moody’s Investor’s Service in January 2009.<sup>2</sup> Standard & Poor’s confirmed in May 2010 that the 2010-11 Budget is consistent with its AAA credit rating.<sup>3</sup> Maintaining a AAA credit rating is a key budgetary objective of the Government and one of the measures in the *Growing Victoria Together* vision.<sup>4</sup>

A credit rating of AAA is important because it provides a measure of the credit worthiness of the State and gives an indication of the strength of the Government’s finances and the overall economy. Victoria’s credit rating also facilitates an independent assessment of the State’s financial position against other Australian jurisdictions and international benchmarks.

1 Budget Paper No.3, *2010-11 Service Delivery*, pp.436, 438

2 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.15

3 Standard & Poor’s (Australia) Pty Ltd, “‘AAA/A-1+’ Ratings on State of Victoria Unaffected by State Budget,” 4 May 2010

4 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.6

The main benefit of having a AAA credit rating is that the Government may borrow funds at lower rates of interest, due to the assessed lower risk premium attaching to the funds borrowed.

The Committee notes that the Commonwealth Government and four of the six states are currently AAA-rated (S&P). Both Queensland and Tasmania are currently rated at AA+ (S&P).

### **14.2.1 Budget strategies to ensure Victoria maintains its AAA credit rating**

The Committee examined the 2010-11 Budget with a view to identifying and analysing strategies contained in the budget papers to ensure that the State is able to maintain its AAA credit rating over the budget estimates period. The Committee notes the following key strategies as detailed in the budget papers:

#### **Achieving operating surpluses**

The Government's short-term aim is to achieve an operating surplus (net result from transactions) of at least \$100 million per year. This target replaced the 2008-09 Budget target of 1 per cent of revenue in 2009-10 due to the Global Financial Crisis. In the longer-term, the Government has committed to returning to the target of 1 per cent of revenue.<sup>5</sup>

The 2010-11 Budget forecasts an operating surplus of \$871.9 million, well above the Government's current operating surplus target of at least \$100 million. Over the three year forward estimates, the Government expects operating surpluses to increase substantially as the economy improves, averaging around \$1.2 billion per year. The Budget forecasts an operating surplus of \$1.5 billion in 2013-14, an increase of \$621.3 million or 71.3 per cent from the estimated operating surplus in the 2010-11 Budget.<sup>6</sup>

#### **Level of borrowings**

The Committee notes the Government's strategic decision to increase borrowings significantly as a measure to deal with the Global Financial Crisis. Total borrowings for the general government sector (including deposits held and advances received) are estimated to be \$16.7 billion as at 30 June 2011, rising to \$25.8 billion in 2014, while averaging \$23.0 billion over the four-year period.<sup>7</sup>

The Government is anticipating only moderate growth in borrowings from 2012 onwards, as the infrastructure program reduces from its peak, and forecasts that by 2013-14 cash surpluses will fund the entire infrastructure program without the need for additional borrowings.<sup>8</sup>

#### **Sustainable level of net debt**

A key measure of balance sheet strength is net debt. Net debt is calculated as gross debt less cash and cash equivalents. The budget papers denote net debt as a key S&P indicator of the State's financial performance.<sup>9</sup>

5 *ibid.*, p.7

6 Budget Paper No.4, *2010-11 Statement of Finances*, p.10

7 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.47

8 *ibid.*, p.46

9 *ibid.*, p.66

The budget papers estimate net debt to be \$11.7 billion for the general government sector by the end of 2010-11, rising to \$15.8 billion by June 2013 and then starting to be reduced by June 2014.<sup>10</sup>

In the Committee's budget estimates questionnaire to the Department of Treasury and Finance, the Committee sought assurances that the projected debt levels contained in the Budget are not excessive and that the projected debt to gross state product (GSP) ratios are not a threat to the State's macroeconomic stability.

In its response, the Department indicated that, over the longer-term, the general government sector debt to GSP ratio had reduced markedly, from a ratio of 12.5 per cent twenty years ago to only 1.8 per cent at June 2009.<sup>11</sup> As detailed in the 2010-11 Budget, the ratio is calculated to be 3.5 per cent in 2010-11, rising to 4.1 per cent by June 2014, and averaging 4.0 per cent over the four year period ending on 30 June 2014.<sup>12</sup>

The Committee notes that net debt as a percentage of GSP is projected to be lower than was estimated in the *2009-10 Budget Update*. Since the Budget Update, projections of net debt as a percentage of GSP have been revised downwards by around 1 per cent over the forward estimates period. The budget papers indicate this is a result of lower debt in dollar terms.<sup>13</sup> The Committee notes this is a significant decrease and is an indicator of strong economic growth.

The Department advised the Committee that the Government has made its budget decisions having regard to the ratings methodology of the two ratings agencies — Standard & Poor's and Moody's, and that its budget decisions will ensure that Victoria remains well within the potential 'trigger points' for a ratings downgrade.<sup>14</sup>

The Department concluded that projected net debt levels are not excessive. To justify its conclusion, the Department pointed out that one of the measures utilised by Standard & Poor's — the ratio of the non-financial public sector net debt plus superannuation to operating revenue, should be in the range of 130-140 per cent to preserve the State's AAA rating. In 2008-09, this ratio was 74.6 per cent and was forecast to remain below 120 per cent throughout the Budget Update forward estimates.<sup>15</sup> Based on data contained in the 2010-11 budget papers, the Committee has calculated the ratio to be in the range of 85-101 per cent over the ensuing four years to June 2014.

### ***Maintaining net financial liabilities at prudent levels***

In order to maintain a AAA credit rating, the Government has identified that a long-term target is to maintain Government net financial liabilities at 'prudent levels'.<sup>16</sup>

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10 *ibid.*, pp.51–2; Budget Paper No.4, *2010-11 Statement of Finances*, p.12

11 Department of Treasury and Finance, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part A, received 29 April 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.348)

12 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.51

13 *ibid.*, p.15

14 Department of Treasury and Finance, response to the Committee's Budget Estimates Questionnaire — Part A received 29 April 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.348)

15 *ibid.*

16 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.6

The Government expects that net financial liabilities<sup>17</sup> for the Government will increase from \$35.3 billion in June 2010 to peak at \$43.8 billion by June 2013 and then decline slightly by June 2014.<sup>18</sup> This increase is primarily due to the increase in net debt (as detailed above) and growth in the State's estimated net superannuation liability. The Committee notes that as a percentage of GSP, Government net financial liabilities are expected to increase from 11.2 per cent at June 2010 to 12.0 per cent at June 2012, before declining to 11.3 per cent by June 2014.<sup>19</sup>

As stated above, the Government's target is to maintain its net financial liabilities at 'prudent levels'. However, the budget papers do not define what these prudent levels are or should be. The Committee considers this terminology to be subjective and open to wide interpretation, and recommends future budget papers define 'prudent levels' in the context of determining the appropriate levels of the State's net debt.

**Recommendation 47: In future budget papers, the Department of Treasury and Finance should define 'prudent levels' in the context of determining the appropriate levels of the State's net debt.**

### ***Committee's overall conclusion***

The Committee concludes that, on the basis of budgeted strong operating surpluses, anticipated moderate growth in borrowings (from 2012), and expected stability in the levels of net debt and net financial liabilities to GSP, the strategies underpinning the 2010-11 Budget should enable a positive assessment of the State's economic performance over the ensuing four years by ratings agencies.

#### **14.2.2 Commonwealth Guarantee of state borrowings**

The Committee noted a consequence of the Global Financial Crisis was that Australian jurisdictions were finding it increasingly difficult to obtain long-term funding.<sup>20</sup> To assist state governments in securing long-term funding for their future needs, the Commonwealth Government extended its Commonwealth Guarantee of deposits and wholesale debt securities to all state governments, commencing in July 2009. The Committee noted that New South Wales and Queensland have taken up the Commonwealth Guarantee.<sup>21</sup>

At the budget estimates hearing for the Treasury Portfolio, the Committee enquired into the Victorian Government's reaction to the Commonwealth Guarantee and reactions to the Guarantee going forward. The Treasurer advised the Committee that the Commonwealth Guarantee was extended to state governments that were finding it harder to borrow money as they were effectively competing with AAA-rated private banks.<sup>22</sup> The Treasurer indicated that, after due consideration, the Victorian Government decided not to take advantage of the Guarantee for the reason that the State's balance sheet was strong and the Government had no issue achieving the borrowings it had acquired.<sup>23</sup>

17 Net financial liabilities are the sum of superannuation, borrowings and other liabilities less financial assets.

18 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.51; Budget Paper No.4, *2010-11 Statement of Finances*, p.12

19 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.15

20 *ibid.*, p.65

21 *ibid.*

22 Mr. J. Lenders MLC, Treasurer, 2010-11 Budget Estimates hearing, transcript of evidence, 11 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.U16)

23 *ibid.*

The Committee noted that to access the Commonwealth Guarantee would come at a cost to the State, as fees apply to all deposits and wholesale funding over \$1 million, effective from 28 November 2008.<sup>24</sup>

The Treasurer advised the Committee that given that Victoria is a AAA-rated government, the Commonwealth Guarantee would have cost the State an extra 15 *basis points* and that the decision not to take up the Commonwealth Guarantee has saved Victorian taxpayers well over \$100 million over the life of the existing debt.<sup>25</sup>

The Committee notes that the Government's intention not to access the Commonwealth Guarantee will continue until the Guarantee is withdrawn at the end of 2010.<sup>26</sup>

## 14.3 Reducing the regulatory burden on business

### 14.3.1 Introduction

Regulation is an important and effective mechanism to achieve economic, environmental and social goals, but places burdens on businesses. Ineffective regulation can both hinder economic activity and defeat the intended objectives of the regulation.

The National Reform Agenda calls for a reduction in the regulatory burden through greater national consistency in regulation, regulatory review, and increased regulatory efficiency and transparency.<sup>27</sup> The Department of Treasury and Finance explained that:<sup>28</sup>

*Ensuring that no unnecessary burden is imposed on businesses and not-for-profit organisations is a key priority for the Victorian Government.*

The Department of Treasury and Finance has estimated that the productivity boost from reducing red tape has the potential to expand Victoria's economy by up to \$747 million a year (in 2005-06 prices) by 2016.<sup>29</sup>

Announced in the 2006-07 Budget, the initiative is focussed on reducing the administrative and compliance burden of State regulation on the business and not-for-profit sectors by:<sup>30</sup>

- *committing to cut the existing administrative burden of regulation by 15 per cent over three years and 25 per cent over the next five years;*
- *ensuring the administrative burden of any new regulation is met by an 'offsetting simplification' in the same or related area; and*

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24 Commonwealth Government, media release No.117, 24 October 2010

25 Mr J. Lenders MLC, Treasurer, 2010-11 budget estimates hearing, transcript of evidence, 11 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p.U17)

26 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.65

27 Department of Treasury and Finance, *Reducing the Regulatory Burden: The Victorian Government's Plan to Reduce Red Tape — 2006-07 Progress Report*, September 2007, p.2

28 Department of Treasury and Finance, 'Reducing the Regulatory Burden', <[www.dtf.vic.gov.au/CA25713E0002EF43/pages/reducing-the-regulatory-burden](http://www.dtf.vic.gov.au/CA25713E0002EF43/pages/reducing-the-regulatory-burden)>, accessed 23 August 2010

29 Budget Paper No.2, *2009-10 Strategy and Outlook*, p.74

30 Department of Treasury and Finance, *Reducing the Regulatory Burden: The Victorian Government's Plan to Reduce Red Tape*, July 2006, p.3

- *undertaking a program of reviews to identify the necessary actions to reduce regulatory burden.*

In developing the *Reducing the Regulatory Burden* program, the Government seeks to draw on international best practice in regulatory reform.<sup>31</sup>

One of the key priorities outlined in the Minister's presentation was the *Reducing the Regulatory Burden* initiative which will enable the Government to meet its National Reform Agenda commitments.<sup>32</sup>

### **14.3.2 Progress in meeting regulatory burden reduction target**

The *Reducing the Regulatory Burden* initiative is making good progress towards achieving its five-year target of a 25 per cent reduction (or \$256 million) in the administrative burden of regulation by July 2011. To date, completed initiatives and those in progress have already achieved an estimated reduction of \$246 million per annum across all Government services.<sup>33</sup>

The estimated reduction is based on the Standard Cost Model, which has been adopted by more than 20 countries to date and is currently being used by the OECD to compare regulatory regimes in different countries.<sup>34</sup> From January 2010, the Standard Cost Model was replaced by the Regulatory Change Measurement methodology, which is consistent with the Standard Cost Model but covers a broader range of costs.<sup>35</sup>

The Victorian Competition and Efficiency Commission found that:<sup>36</sup>

*Victoria is acknowledged as a leading jurisdiction in Australia in its focus on reducing regulatory burdens and for the quality of its regulatory reform framework.*

Given the achievements, the Government, in September 2009, set a new challenge of reducing the regulatory burden by \$500 million by July 2012. The new target includes reductions to not only the administrative burden of regulation, but also substantive compliance and delay costs. Whilst businesses and not-for-profit organisations will continue to receive the primary benefits of these reductions, the Government has also decided to extend the initiative to include costs associated with local government regulation, State Government service delivery and employment-related requirements for individuals.<sup>37</sup>

From an information dissemination and accountability viewpoint, the Committee notes that the Department of Treasury and Finance provides a progress report on the *Reducing the Regulatory Burden* initiative on an annual basis. The 2008-09 progress report includes information on the

31 *ibid.*, p.1

32 Mr J. Helper MP, Minister for Small Business, 2010-11 budget estimates hearing, 17 May 2010, presentation, slide 11

33 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.70

34 Department of Treasury and Finance, *Reducing the Regulatory Burden: The Victorian Government's Plan to Reduce Red Tape — 2008-09 Progress Report*, September 2009, p.4

35 *ibid.*, p.7; Department of Treasury and Finance, 'Reducing the Regulatory Burden', <[www.dtf.vic.gov.au/CA25713E0002EF43/pages/reducing-the-regulatory-burden](http://www.dtf.vic.gov.au/CA25713E0002EF43/pages/reducing-the-regulatory-burden)>, accessed 2 September 2010

36 Victorian Competition and Efficiency Commission, *Issues Paper — Inquiry into Victoria's Regulatory Framework*, July 2010, p.1

37 Department of Treasury and Finance, *Reducing the Regulatory Burden: The Victorian Government's Plan to Reduce Red Tape — 2008-09 Progress Report*, September 2009, p.7

Government's regulatory reform initiatives, its achievements to date and a listing by department of initiatives that have contributed to decreasing regulatory burdens.<sup>38</sup>

Whilst the progress report provides useful information, the Committee believes that, to improve forward accountability, future progress reports should be expanded to provide details of how much each initiative has contributed to the \$500 million target.

**Recommendation 48: The Department of Treasury and Finance should expand the reporting in its progress reports on *Reducing the Regulatory Burden* by also providing details of how much each initiative has contributed to the \$500 million target.**

### **14.3.3 Councils Reforming Business program**

Announced in the 2007-08 Budget with the provision of \$4.7 million, the Government's *Councils Reforming Business* program supports local government to improve services, decrease costs and reduce red tape for businesses working with councils.<sup>39</sup>

With changes to the *Reducing Regulatory Burden* initiatives, the Government's *Councils Reforming Business* program will now contribute to the Government's new target.<sup>40</sup> As a result, the Government has provided additional funding to continue the initiative.

At the budget estimates hearing, the Minister for Local Government stated:<sup>41</sup>

*We have also got a terrific \$4.9 million over two years for further reducing the regulatory burden in local government, particularly reduction in regulatory burden on business...*

The Committee believes that accountability would be enhanced if the Department of Planning and Community Development reported on its website the *Councils Reforming Business* program contribution to the *Reducing Regulatory Burden* target.

**Recommendation 49: The Department of Planning and Community Development should report on its website the contribution by the *Councils Reforming Business* program to the *Reducing Regulatory Burden* target.**

## **14.4 Building a competitive business environment**

The Government considers a key aspect of its 'sound financial management' strategy is that Victoria remain a competitive place to do business. This is a focus of the 2010-11 budget papers, which state that '*the Government continues to look for ways to make Victoria a competitive place to do business.*'<sup>42</sup>

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38 *ibid.*, pp.15–17

39 Local Government Victoria, 'Councils Reforming Business', <[www.localgovernment.vic.gov.au/web20/dvclgv.nsf/headingpagesdisplay/partnerships+and+projectscouncils+reforming+business](http://www.localgovernment.vic.gov.au/web20/dvclgv.nsf/headingpagesdisplay/partnerships+and+projectscouncils+reforming+business)>, accessed 9 August 2010

40 *ibid.*

41 Mr R. Wynne MP, Minister for Local Government, 2010-11 budget estimates hearing, transcript of evidence, 19 May 2010 (see Public Accounts and Estimates Committee, *Report on the 2010-11 Budget Estimates — Part Two*, p.L2)

42 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.5

The Committee examined the 2010-11 budget papers to identify budget initiatives that will contribute to building a better business environment in Victoria. In addition to the *Reducing the Regulatory Burden* initiative discussed above, the Committee identified the following measures in the 2010-11 Budget that are designed to improve business competitiveness in Victoria:

### **Reducing State taxes**

A key objective under the Vibrant Democracy vision is that '*Victoria's taxes will remain competitive with the Australian average.*'<sup>43</sup> The budget papers indicate that Victoria now has the second lowest rate of business taxes. They also indicate that Victoria is one of only two states to have abolished all the agreed range of taxes (eight taxes in total) under the 1999 *Intergovernmental Agreement on Federal Financial Relations*. Other states have deferred abolishing all of these taxes until at least 1 July 2012.<sup>44</sup>

The Committee notes that measures in the 2010-11 Budget include a reduction in the rate of payroll tax from 4.95 per cent to 4.90 per cent. This initiative is estimated to save businesses \$193 million over the next four years.<sup>45</sup> The Committee notes, however, that Victoria has the lowest payroll tax threshold of any state or territory in Australia. Victoria's payroll tax threshold for 2010-11 is \$550,000. This compares with the thresholds set in New South Wales (\$658,000), Queensland (\$1.0 million) and the Australian Capital Territory (\$1.5 million).<sup>46</sup>

### **Reducing WorkCover premiums**

The 2011-12 Budget announced a benefit to Victorian businesses in the form of lower WorkCover premiums. This budget initiative will cut the average WorkCover premium by 3.5 per cent, taking the average premium to 1.34 per cent, just above the break-even premium of 1.33 per cent.<sup>47</sup>

The WorkCover premium rate is second only to Queensland, which has an average rate of 1.30 per cent. The budget papers indicated that this initiative is estimated to save Victorian businesses \$60 million per year over the ensuing four years.<sup>48</sup>

### **Reducing business compliance costs**

The 2010-11 Budget provides for developing a 'web-based' system to streamline the payment and 'stamping' of land transfer duty.<sup>49</sup>

### **Assisting businesses affected by the Global Financial Crisis**

The Budget recognises the adverse effect that the Global Financial Crisis has had on business in Victoria, particularly referring to challenges faced by small businesses, such as having access to finance. The Committee notes the Budget provides for \$16 million over the next four years to

43 Budget Paper No.3, *2010-11 Service Delivery*, p.438

44 Budget Paper No.2, *2010-11 Strategy and Outlook*, pp.11–12

45 *ibid.*

46 Housing Industry Association, 'Payroll tax rates & thresholds 2010/11', <[hia.com.au/hia/content/Builder/region/National/classification/Workplace%20Services/Employees/article/IS/WS/IPayroll\\_tax\\_20102011.aspx](http://hia.com.au/hia/content/Builder/region/National/classification/Workplace%20Services/Employees/article/IS/WS/IPayroll_tax_20102011.aspx)>, accessed 3 September 2010

47 Hon. T. Holding MP, Minister for Finance, WorkCover and Transport Accident Commission, 2010-11 budget estimates hearing, transcript of evidence, 14 May 2010 (see Public Accounts and Estimate Committee, *Report on the 2010-11 Budget Estimates — Part One*, May 2010, p78)

48 Budget Paper No.2, *2010-11 Strategy and Outlook*, p.5

49 *ibid.*, p.12

assist businesses affected by on-going impacts of the Global Financial Crisis and \$13 million over four years to assist small businesses during the economic recovery.<sup>50</sup>

### **Committee's conclusion**

The Committee concludes that the measures contained in the 2010-11 Budget to reduce payroll tax, WorkCover premiums and business compliance costs will complement the initiatives to reduce the regulatory burden on Victoria's businesses and will assist the Government in pursuing its strategy of ensuring that Victoria remains a competitive place to do business.

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50 Budget Paper No.3, *2010-11 Service Delivery*, p.11

## CHAPTER 15: THE GOVERNMENT'S RESPONSE TO THE COMMITTEE'S REPORT ON THE 2009-10 BUDGET ESTIMATES

### Key findings of the Committee:

- 15.1** In terms of content, the Committee believes that overall the Government has responded to the recommendations made in its 2009-10 budget estimates report in a responsible and acceptable manner.
- 15.2** The Committee considers that it is now timely for the Government to undertake a review of the framework for providing its responses to the Committee's reports, including the annual budget estimates report. The Committee believes that there is scope for enhancing the format of the Government response so that it becomes a more informative accountability tool for Government and the Parliament.

### 15.1 Summary of the Government's response to the Committee's Report on the 2009-10 Budget Estimates

The Government's response to the Committee's *Report on the 2009-10 Budget Estimates* — *Part Two* is provided in full in Appendix 3 of this report.

Table 15.1 sets out a summary of the Government's response according to the degree of acceptance for the various recommendations contained in each chapter. The recommendations made by the Committee in the report focused on key themes of Government policy, budget initiatives, department outputs and the *Growing Victoria Together* vision.

#### 15.1.1 Accepted recommendations

The Government accepted 79 per cent of recommendations made in the Committee's *Report on the 2009-10 Budget Estimates*, marginally less than the Committee's preferred target of 80 per cent. As can be seen from Table 15.1, this is made up of recommendations that have been:

- accepted in full with no qualifications (36 per cent);
- accepted in part (11 per cent); and
- accepted in principle (32 per cent).

The above outcome compares to an aggregate acceptance rate of 89, 81 and 86 per cent for Committee reports covering the 2006-07, 2007-08 and 2008-09 budget estimates inquiries respectively.

Of the 19 recommendations (36 per cent) that were accepted in full by the Government, 13 (68 per cent) related to the 'Thriving Economy', the 'Quality Health and Education and the Caring Communities' visions of the Government's *Growing Victoria Together* vision for Victoria.

Recommendations accepted in part related to those situations where there was more than one element to a recommendation and not all parts to the recommendation were accepted in full.

Of the six recommendations in this category, most related to the various visions of the Government's *Growing Victoria Together* vision.

With regard to 'accept in principle' responses, the Committee reported in October 2008 that responses that fall in this category should '*result in some action being taken or proposed and not imply that there would be little or no action taken as a result of a recommendation.*'<sup>1</sup> In the subsequent budget estimates report of October 2009, the Committee welcomed the Government's response to its previous concerns regarding the level of action identified, although some instances remained where the response lacked detail indicating that no further action was planned. The Committee also flagged its interest in the review processes and outcomes flowing from planned actions to be undertaken by the Department of Treasury and Finance in relation to those actions impacted by its current review of public finances practices and legislation.<sup>2</sup>

In relation to the current examination of the Government's response to the Committee's report on the 2009-10 budget estimates, the Committee noted that in relation to 17 recommendations (around one third) that were accepted 'in principle', in most cases the extent of action to be taken would depend on the outcome of reviews to be undertaken. These reviews were mainly in the context of the implementation of the Public Finance and Accountability Bill or by the Department of Treasury and Finance in relation to the content and presentation of the budget papers. Further comment by the Committee on the need to track action taken in relation to such recommendations is made in Section 15.1.2 of this chapter.

### **15.1.2 Recommendations under review**

The Committee noted that, as of April 2010, decisions by the Government in relation to accepting three recommendations made by the Committee were pending further review work to be finalised. These matters related to the need to:

- integrate or replicate any agreed productivity-related indicators at the Commonwealth level within departmental annual reports;<sup>3</sup>
- conduct further work in terms of reviewing sustainability and environment-related reporting guidelines and performance indicators;<sup>4</sup> and
- adopt service delivery targets, for the National Assessment Program — Literacy and Numeracy measurements, that exceed the national minimum standards.<sup>5</sup>

In continuing the practice previously adopted by the Committee (when analysing the Government's response to the Committee's recommendations in its report on the budget estimates for 2008-09), the Committee would like to be advised of the status of matters reported in its *Report on the 2009-10 Budget Estimates — Part Two* that were under review as at April 2010.

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1 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates — Part Three*, October 2008, p.157

2 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates — Part Three*, October 2009, p.151

3 Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 88<sup>th</sup> Report on the 2009-10 Budget Estimates — Part Two, tabled 14 April 2010, p.7 (see Appendix 3)

4 *ibid.*, p.14

5 *ibid.*, p.25

**Recommendation 50: The Department of Treasury and Finance provide further detailed information relevant to further actions involved in review processes that are identified in relevant responses to the Committee's recommendations.**

### **15.1.3 Rejected recommendations**

Eight recommendations (15 per cent) were rejected by the Government. Reasons offered by the Government included, among other things, that accountability under the new federal financial framework is provided through the Council of Australian Governments (COAG) Reform Council public performance reporting program.<sup>6</sup>

The Committee has identified three rejected recommendations that it considers should be revisited by the Government (see Section 15.3).

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6 *ibid.*, pp.3, 6

**Table 15.1: Summary of Government responses to the Committee’s Report on the 2009-10 Budget Estimates**

Report chapter	Accept	Degree of acceptance			Under review	Reject	Total
		Wholly	In part	In principle			
Management and Accountability for Commonwealth Grants and Funds	2	-	-	2	-	1	3
General Government Sector Asset Investment	3	1	-	2	-	-	3
COAG Reform Agenda and Productivity in Victoria	3	-	1	2	1	2	6
General Government Revenue / Revenue Initiatives	1	-	-	1	-	-	1
Revenue Foregone / Tax Expenditures, Concessions and Subsidies	3	1	1	1	-	-	3
Regional and Rural Victoria	1	1	-	-	-	1	2
Departmental Output Structures and Performance Measures	1	-	-	1	1	-	2
Departmental Workforce — Comparative Analysis	1	1	-	-	-	1	2
Analysis of the Government Response to Recommendations in the PAEC Report on the 2008-09 Budget Estimates	1	1	-	-	-	-	1
Thriving Economy	7	4	1	2	-	1	8
Quality Health and Education	8	5	-	3	1	1	10
Healthy Environment	2	1	1	-	-	-	2
Caring Communities	7	4	1	2	-	-	7
Vibrant Democracy	2	-	1	1	-	1	3
<b>Total number of recommendations</b>	<b>42</b>	<b>19</b>	<b>6</b>	<b>17</b>	<b>3</b>	<b>8</b>	<b>53</b>
<b>Percentage of total recommendations</b>	<b>79</b>	<b>36</b>	<b>11</b>	<b>32</b>	<b>6</b>	<b>15</b>	<b>100.0</b>

Source: Victorian Government, *Government Responses to the Recommendations of Public Accounts and Estimates Committee’s 88<sup>th</sup> Report on the 2009-10 Budget Estimates — Part Two*, tabled 14 April 2010 (see Appendix 3)

## **15.2 Quality of material provided by the Government in responding to the Committee's 2009-10 budget estimates report**

To assess the quality of the Government's response to the Committee's report covering the 2009-10 budget estimates, the Committee used the following criteria, which represent desirable features of a response in the eyes of the Committee:

- sufficient detail to support the position taken by the Government to each recommendation;
- informative statements about actions taken to date and further action planned; and
- action taken or planned by the Government that will lead to change for the better in terms of disclosing budget information, facilitating a greater understanding of the budget estimates and encouraging economical, efficient and effective use of public resources.

In terms of content, the Committee believes that overall the Government has responded to the recommendations made in its 2009-10 budget estimates report in a responsible and acceptable manner, although, to a minor extent, there are some responses that could be improved. An example of an informative response and one that fell short of the Committee's expectations is set out in Table 15.2.

The Committee believes that there is scope for improving the overall framework used by the Government when responding to Committee reports. New features suggested by the Committee for the Government's consideration are discussed in Section 15.4 of this chapter.

## **15.3 Rejected recommendations – suggested areas to be revisited by the Government**

In reviewing the Government's responses to the recommendations made by the Committee in its *Report on the 2009-10 Budget Estimates — Part Two*, the Committee considers that three recommendations that were rejected should be revisited by the Government. These are set out in Table 15.3.

**Table 15.2: Examples demonstrating the contrast in the standard of the Government’s response to the 2009-10 budget estimates report**

Committee recommendation	Response	Action taken to date/planned	Committee comment
<b>Informative response — example 1</b>			
<p><i>Recommendation No. 24 (Report on the 2009-10 Budget Estimates — Part Two)</i></p> <p>The Department of Treasury and Finance expand the sensitivity analysis contained in the Budget Papers to quantify the impact on the general government fiscal results of selected indicators being 1 per cent lower than expected, if the financial effect is not symmetrical with the scenario presented in the Budget Papers.</p>	<p>Accept</p>	<p>A preliminary review undertaken by the Department of Treasury and Finance shows that a negative change to indicators has approximately the same absolute impact on the net result from transactions as does the equivalent positive change to indicators. However, the effect on ‘Other economic flows’ (and therefore the Net result) is generally not symmetrical mainly due to the different impact on returns to superannuation funds. The Department will undertake further research to ascertain whether these differences are of a material nature.</p> <p>Where positive impacts on fiscal results are found to be materially different from negative impacts (other than a change in sign), the sensitivity analysis section in the Budget papers will be expanded to include the effect of lower than expected impacts on selected variables.<sup>(a)</sup></p>	<p>The response provided by the Government to this recommendation should lead to improved disclosure of budget information and facilitate a greater understanding of the budget estimates. This outcome is in line with the objectives of the budget estimates inquiry.</p>
<b>Response that could have been more informative — example 2</b>			
<p><i>Recommendation No. 16 (Report on the 2009-10 Budget Estimates — Part Two)</i></p> <p>The Department of Treasury and Finance conduct research to assess the socio-economic impacts that the first home bonus incentives have had in terms of their stimulative and distributive effects on the economy, particularly with regard to the securing existing jobs or creating new jobs and areas of growth.</p>	<p>Accept in principle</p>	<p>When budgeting for the First Home Bonus (the Bonus), the Department of Treasury and Finance (DTF) already incorporates a wide range of economic factors in assessing its wider impacts, including stimulative, distributive and employment effects.</p> <p>DTF will continue to assess the impacts of the Bonus within Victoria.<sup>(b)</sup></p>	<p>The Committee believes that a greater level of specificity could have been described in terms of action taken to date and further actioned planned.</p>

Sources:

- (a) Victorian Government, *Government Responses to the Recommendations of Public Accounts and Estimates Committee’s 88<sup>th</sup> Report on the 2009-10 Budget Estimates — Part Two*, tabled 14 April 2010, p.18 (see Appendix 3)
- (b) *ibid.*, p.12

Table 15.3: Rejected recommendations to be revisited by the Government

Committee recommendation	Response	Action taken to date/planned	Committee comment
<p><i>Recommendation No. 17 (Report on the 2009-10 Budget Estimates — Part Two)</i></p> <p>For 2010-11, a new budget paper, providing a comprehensive overview of State Government programs and initiatives for regional and rural Victoria, be provided.</p>	Reject	<p>The budget papers currently report significant targeted initiatives by the six geographical segments of Victoria and these are supplemented by work under the Regional Strategic Planning initiative that is being undertaken through the Department of Innovation, Industry and Regional Development.</p> <p>State-wide initiatives are not reported at a geographical segment level as these are funded across Victoria and not specifically to a region. The Department of Treasury and Finance considers the dissection of state-wide initiatives budget funding by regions as being only feasible where the information clearly represents the underlying purpose of the initiative.</p> <p>No further work planned.<sup>(a)</sup></p>	<p>The Committee noted that the budget papers do not report the funding provided to the targeted initiatives disclosed according to the six geographical segments of Victoria.</p> <p>The Committee believes that the Parliament and taxpayers, particularly regional and rural Victorians, would be interested in analysing resource allocations at a geographical segmental level.</p> <p>Further comment on this matter is included in Chapter 8 of this report.</p>
<p><i>Recommendation No. 21 (Report on the 2009-10 Budget Estimates — Part Two)</i></p> <p>The Department of Treasury and Finance consider the development of appropriate guidelines for the determination of 'funded vacancies' in the public sector so that government agencies can report on their staff numbers in a comprehensive and consistent manner.</p>	Reject	<p>Departments are currently required to publish workforce data within their Annual Report under Financial Reporting Directions (FRD) 22 and 29. FRD 29 was developed following a review involving the State Services Authority, Department of Treasury and Finance and Department of Premier and Cabinet in 2006 and enhances reporting and presentation of data to facilitate comparisons across departments. The State Services Authority also publishes an annual State of the Service report which examines key aspects of the public sector workforce.</p> <p>Funded vacancies are not reported since the financial management and accountability framework for government departments focuses on the delivery of outputs and outcomes rather than management of inputs. Allocation of resources to achieve required outputs is an internal management issue. The introduction of additional annual reporting requirements focused on tracking internal management of internal costs is not central to external accountability and is not supported.</p> <p>No further work planned.<sup>(b)</sup></p>	<p>The Committee maintains that the analysis of workforce data would be more meaningful if funded vacancies were included in published material.</p> <p>For this to occur, the Committee considers that such a category should be created in future.</p> <p>The Committee points out that the gathering and publication of workforce data, which already occurs, represents an input as does material reported in departmental financial statements.</p> <p>While the Committee shares the view of the importance of delivering outputs and outcomes, departments should also be accountable for the economic and efficient use of inputs.</p>

Committee recommendation	Response	Action taken to date/planned	Committee comment
<p><i>Recommendation No. 52 (Report on the 2009-10 Budget Estimates — Part Two)</i></p> <p>The Department of Treasury and Finance encourage departments to disclose in their annual reports, details about the various strategies pursued during the year to achieve the required efficiency savings of a general nature, categorised according to the various types of savings.</p>	<p>Reject</p>	<p>The financial management and accountability framework for government departments focuses on the delivery of outputs and outcomes rather than the management of inputs.</p> <p>The Department of Treasury and Finance considers that current annual reporting guidelines which focus on performance against operational and financial objectives remain appropriate and does not propose introducing additional annual reporting requirements focused on tracking internal management of input costs.</p> <p>No further work planned.<sup>(c)</sup></p>	<p>The Committee maintains that Parliament and other stakeholders would be interested in understanding how departments achieve the required efficiency savings of a general nature and where.</p> <p>Given the magnitude of the estimated savings involved (\$665 million from 2009-10 to 2012-13), the Department of Treasury and Finance should reconsider its position on this matter.</p> <p>Further comment by the Committee on this issue is contained in Chapter 5 of this report.</p>

Sources:

- (a) *Victorian Government, Government Responses to the Recommendations of the Public Accounts and Estimates Committee's 88th Report on the 2009-10 Budget Estimates — Part Two, tabled 14 April 2010, p. 12 (see Appendix 3)*
- (b) *ibid., p. 15*
- (c) *ibid., p. 33*

## 15.4 Improving the format of the Government's response

The Committee considers that it is appropriate for the Government to undertake a review of the framework for providing its response to the Committee's reports, including the budget estimates report. The Committee believes that there is scope for enhancing the format of the Government's response so that it becomes a more informative accountability tool for government by, for example:

- assigning a timeframe for actioning each recommendation, given that in some cases the Government has indicated that the issue would be reviewed or consideration would be given to the particular matter;
- providing a commitment in the response, where appropriate, to keep the Committee informed of progress made in implementation or finalisation; and
- establishing more specific categories or providing a description of each response category (e.g. a clearer definition of the 'accept in principle' category). The Committee found that, with regard to two responses, alternative ways of classifying the Government's intention may have been more appropriate. The Government's response to these recommendations together with comment by the Committee is set out in Table 15.4.

**Recommendation 51:** **In terms of continuously improving the format of the Government's response to Committee reports, a review be undertaken to assess whether there are any additional features that could be incorporated into this document in future.**

**Table 15.4: Questionable response classifications**

Committee recommendation	Response	Action taken to date/planned	Committee comment
<p><i>Recommendation No.3 (Report on the 2009-10 Budget Estimates — Part Two)</i></p> <p>The Government present to Parliament an annual consolidated report identifying Victoria's performance against objectives, outcomes, output targets and milestones established under the Commonwealth's Federal financial framework.</p>	<p>Reject</p>	<p>The new federal financial framework, contained in the Intergovernmental Agreement on Federal Financial Relations, governs important financial relationships between the Commonwealth and the States and Territories.</p> <p>Accountability is provided through the COAG Reform Council (CRC) public performance reporting program. They assess jurisdictions' performance against agreed indicators found in the National Agreements and National Partnerships, insofar as they relate to National Agreements.</p> <p>The CRC has commenced the reporting process, with baseline reports on achievement against the National Agreements for Education and Skills and Workforce Development released publicly by the CRC on 5 November 2009. The second phase of the annual reporting cycle has recently begun.</p> <p>Moreover, a key principle underpinning the Federal Financial Relations Framework is the promotion of a reduction in reporting burden and duplicative reporting requirements that would not necessarily create a greater level of accountability.</p> <p>The Public Finance and Accountability Bill aims to increase government accountability to the Parliament by making outcomes and associated outputs the basis for the whole of the cycle of planning, resource allocation, resource management and reporting.</p> <p>It is envisaged that the resultant consolidated reporting will cater for accountability requirements, such as those associated with Commonwealth funding under the federal financial relations arrangements.</p> <p>The Department of Treasury and Finance will continue to review opportunities for government to transparently report on the outcome of COAG Reforms.<sup>(a)</sup></p>	<p>This Committee considers that in view of the whole of cycle concept of reporting advocated by the Public Finance and Accountability Bill and the Government's vision that consolidated reporting will cater for accountability requirements, such as those associated with Commonwealth funding under the Federal financial relations arrangements, the intent of the Committee's recommendation for Victoria's performance to be disclosed will be actioned in a positive manner (even though an annual consolidated report will not be produced) and therefore could be considered as 'accepted in part' rather than 'rejected'.</p> <p>The Committee notes that information provided for the COAG Reform Council is not in the public domain.</p>

Committee recommendation	Response	Action taken to date/planned	Committee comment
<p><i>Recommendation No.34 (Report on the 2009-10 Budget Estimates — Part Two)</i></p> <p>The Department of Treasury and Finance and the Department of Education and Early Childhood Development report the results for student achievement in literacy, numeracy and reading in future annual reports.</p>	<p>Accept in Principle</p>	<p>Department of Education and Early Childhood Development (DEECD) accepts the need to publish results of student achievement.</p> <p>Results for students in Years 3 and 5 are reported in DEECD's Annual Report against the GVT measures. Year 7 and 9 results are not reported in the Annual Report as this information is readily available elsewhere. This includes reporting literacy and numeracy results for Years 3, 5, 7 and 9 against Budget Paper performance targets in DEECD's future Annual Report.</p> <p>All National Assessment Program — Literacy and Numeracy (NAPLAN) results are reported publicly on the Ministerial Council for Education, Early Childhood Development and Youth Affairs (MCEECDYA) website and individual school results are included in the Australian Curriculum, Assessment and Reporting Authority (ACARA) My School website and in the Victorian Government School Performance Summaries on the Victorian Registration and Qualifications Authority (VRQA) website.</p> <p>In addition, NAPLAN results are publicly reported in the Productivity Commission's annual Report on Government Services (ROGS).</p> <p>Literacy and numeracy results for the Years 3, 5, 7 and 9 against Budget Paper performance targets will be reported in DEECD's future Annual Report.<sup>(b)</sup></p>	<p>The Committee considers that a more accurate response classification would have been 'Accept in Part' because no action is proposed in relation to disclosing this information in the Department of Treasury and Finance's annual report</p>

## Sources:

- (a) Victorian Government, *Government Responses to the Recommendations of Public Accounts and Estimates Committee's 88<sup>th</sup> Report on the 2009-10 Budget Estimates — Part Two*, tabled 14 April 2010, p.3 (see Appendix 3 of this report)
- (b) *ibid.*, p.2



# APPENDIX 1: LIST OF PERSONS AND DEPARTMENTS PROVIDING EVIDENCE AND RESPONSES TO THE 2010-11 BUDGET ESTIMATES QUESTIONNAIRE

## 1.1 Evidence

*10 May 2010*

***Portfolios: Industry and Trade; Regional and Rural Development; Premier; Multicultural Affairs; Veterans' Affairs; Parliamentary Departments***

***Department of Innovation, Industry and Regional Development; Department of Premier and Cabinet; Department of Planning and Community Development; Parliamentary Departments***

Ms J. Allan, Minister for Industry and Trade;

Mr H. Ronaldson, Secretary;

Mr R. Straw, Deputy Secretary;

Dr A. Smith, Deputy Secretary; and

Mr J. Strilakos, Director, Finance, Department of Innovation, Industry and Regional Development.

Ms J. Allan, Minister for Regional and Rural Development;

Mr H. Ronaldson, Secretary;

Mr J. Hanney, Deputy Secretary,

Mr Brad Ostermeyer, Executive Director; and

Mr Daniel Rodger, Business Manager, Department of Innovation, Industry and Regional Development.

Mr J. Brumby, Premier;

Ms H. Silver, Secretary;

Mr P. Reed, Deputy Secretary, Government and Corporate Group;

Mr P. Philip, Deputy Secretary, Policy and Cabinet Group;

Mr D. Speagle, Deputy Secretary, National Reform and Climate Change Group; and

Mr E. Gibbons, Manager, Planning, Reporting and Governance, Department of Premier and Cabinet.

Mr J. Brumby, Minister for Multicultural Affairs and Minister for Veterans' Affairs;

Mr T. Robinson, Minister Assisting the Premier on Veterans' Affairs;

Mr Y. Blacher, Secretary of the Department of Planning and Community Development;

Mr G. Lekakis, Chairperson, Victorian Multicultural Commission; and

Mr J. MacIsaac, Executive Director, People and Communities, Department of Planning and Community Development.

Mr R. Smith, President of the Legislative Council;

Ms J. Lindell, Speaker of the Legislative Assembly;

Mr R. Purdey, Clerk of the Legislative Assembly;

Mr W. Tunnecliffe, Clerk of the Legislative Council; and

Mr P. Lochert, Secretary, Department of Parliamentary Services, Parliament of Victoria.

**11 May 2010**

***Portfolios: Major Projects; Roads and Ports; Treasury; Financial Services; Information and Communication Technology***

***Department of Innovation, Industry and Regional Development; Department of Transport; Department of Treasury and Finance***

Mr T. Pallas, Minister for Major Projects;

Mr H. Ronaldson, Secretary;

Dr A. Smith, Deputy Secretary;

Mr S. Sweeney, Executive Director; and

Ms B. O'Connor, Senior Advisor, Communications, Major Projects Victoria, Department of Innovation, Industry and Regional Development.

Mr T. Pallas, Minister for Roads and Ports;

Mr J. Betts, Secretary;

Mr T. Garwood, Executive Director, Freight Logistics and Marine;

Mr R. Oliphant, Chief Financial Officer, Department of Transport; and

Mr G. Liddle, Chief Executive, VicRoads.

Mr J. Lenders, Treasurer;

Mr G. Hehir, Secretary;

Mr D. Yates, Deputy Secretary, Budget and Financial Management Division;

Dr L. Williams, Deputy Secretary, Economic and Financial Policy Division;

Mr J. Fitzgerald, Deputy Secretary, Commercial Division; and

Ms P. McDonald, Senior Reporting Officer, Planning and Executive Services, Department of Treasury and Finance.

Mr J. Lenders, Minister for Financial Services;

Mr X. Csar, Executive Director, Economic Projects, International Coordination; and

Mr H. Moor, Director, Financial Services Industry, Department of Innovation, Industry and Regional Development.

Mr J. Lenders, Minister for Information and Communication Technology; and

Mr Randall Straw, Deputy Secretary, Department of Innovation, Industry and Regional Development.

**12 May 2010**

***Portfolios: Health; Public Transport; Industrial Relations***

***Department of Health; Department of Transport; Department of Innovation, Industry and Regional Development***

Mr D. Andrews, Minister for Health;

Ms F. Thorn, Secretary;

Mr L. Wallace, Executive Director, Hospitals and Health Service Performance Division;

Dr C. Brook, Executive Director, Wellbeing, Integrated Care and Aged Division; and

Mr P. Fitzgerald, Executive Director, Strategy, Policy and Finance Division, Department Health.

Mr M. Pakula, Minister for Public Transport;

Mr J. Betts, Secretary;

Mr R. Oliphant, Chief Finance Officer;

Mr H. McKenzie, Director of Public Transport, Department of Transport; and

Mr B. Carolan, Chief Executive Officer, Transport Ticketing Authority.

Mr M. Pakula, Minister for Industrial Relations;

Mr M. O'Connor, Deputy Secretary; and

Ms D. Jepson, Director, Strategic Planning and Ministerial Services, Department of Innovation, Industry and Regional Development.

**13 May 2010**

***Portfolios: Environment and Climate Change; Innovation; Education; Skills and Workforce Participation***

***Department of Sustainability and Environment; Department of Innovation, Industry and Regional Development; Department of Education and Early Childhood Development***

Mr G. Jennings, Minister for Environment and Climate Change;

Mr G. Wilson, Secretary; and

Mr M. Clancy, Acting Chief Finance Officer, Department of Sustainability and Environment.

Mr G. Jennings, Minister for Innovation;

Mr H. Ronaldson, Secretary;

Mr R. Straw, Deputy Secretary; and

Mr J. Strilakos, Finance Manager, Victorian Skills Commission, Department of Innovation, Industry and Regional Development.

Ms B. Pike, Minister for Education;

Professor P. Dawkins, Secretary;

Mr P. Linossier, Acting Deputy Secretary, Office for Children and Portfolio Coordination;

Mr D. Fraser, Deputy Secretary, Office for Government School Education; and

Mr J. Rosewarne, Deputy Secretary, Office for Resources and Infrastructure, Department of Education and Early Childhood Development.

Ms B. Pike, Minister for Skills and Workforce Participation;

Mr H. Ronaldson, Secretary;

Mr P. Clarke, Executive Director, Skills Policy Development and Coordination;

Ms K. Peake, Deputy Secretary; and

Mr R. Cooper-Thomas, Chief Financial Officer, Skills Victoria, Department of Innovation, Industry and Regional Development.

**14 May 2010**

***Portfolios: Tourism and Major Events; Corrections; Police and Emergency Services; Finance, WorkCover and Transport Accident Commission; Water***

***Department of Innovation, Industry and Regional Development; Department of Justice; Department of Treasury and Finance; Department of Sustainability and Environment***

Mr T. Holding, Minister for Tourism and Major Events;

Mr H. Ronaldson, Secretary of the Department of Innovation, Industry and Regional Development; and

Mr G. Hywood, Chief Executive Officer, Tourism Victoria.

Mr B. Cameron, Minister for Corrections;

Ms P. Armytage, Secretary;

Mr T. Leech, Executive Director, Police, Emergency Services and Corrections; and

Mr R. Hastings, Commissioner Corrections Victoria, Department of Justice.

Mr B. Cameron, Minister for Police and Emergency Services;

Ms P. Armytage, Secretary;

Mr T. Leech, Executive Director, Police, Emergency Services and Corrections, Department of Justice; and

Chief Commissioner S. Overland, Victoria Police.

Mr. T. Holding, Minister for Finance, WorkCover and the Transport Accident Commission;

Mr G. Hehir, Secretary, Department of Treasury and Finance;

Ms J. Dore, Chief Executive Officer, Transport Accident Commission; and

Mr G. Tweedly, Chief Executive Officer, WorkSafe Victoria.

Mr T. Holding, Minister for Water;

Mr G. Wilson, Secretary; and

Mr M. Clancy, Acting Chief Financial Officer, Department of Sustainability and Environment.

**17 May 2010**

**Portfolios: Agriculture; Small Business**

**Department of Primary Industries; Department of Innovation, Industry and Regional Development**

Mr J. Helper, Minister for Agriculture;

Mr R. Bolt, Secretary;

Dr J. Skerritt, Deputy Secretary, Agriculture and Fisheries Group;

Mr L. Wilson, Executive Director, Agriculture and Natural Resources Policy;

Mr C. O'Farrell, Chief Financial Officer, Finance Division;

Dr H. Millar, Executive Director, Biosecurity Victoria, Agriculture and Fisheries Group;

Mr A. Hurst, Executive Director, Fisheries Victoria, Agriculture and Fisheries Group; and

Prof. G. Spangenberg, Executive Director, Biosciences Research, Agriculture Research and Development Group, Department of Primary Industries.

Mr J. Helper, Minister for Small Business;

Mr H. Ronaldson, Secretary;

Mr J. Hanney, Deputy Secretary;

Mr J. Strilakos, Chief Financial Officer, Department of Innovation, Industry and Regional Development; and

Mr R. Arwas, Executive Director, Small Business Victoria.

**18 May 2010**

***Portfolios: Arts; Energy and Resources; Community Development; Planning; Respect Agenda***

***Department of Premier and Cabinet; Department of Primary Industries; Department of Planning and Community Development***

Mr P. Batchelor, Minister for the Arts;

Ms P. Hutchinson, Director;

Mr G. Andrews, Deputy Director;

Mr D. Carmody, Deputy Director; and

Ms J. Rowland, Senior Manager, Arts Victoria, Department of Premier and Cabinet.

Mr P. Batchelor, Minister for Energy and Resources;

Mr R. Bolt, Secretary;

Mr P. Naughton, Acting Deputy Secretary, Energy and Earth Resources; and

Mr C. O'Farrell, Chief Financial Officer, Department of Primary Industries.

Ms L. D'Ambrosio, Minister for Community Development;

Mr Y. Blacher, Secretary;

Mr S. Gregory, Chief Financial Officer;

Mr D. Ferrie, Executive Director, Community Programs; and

Ms M. Knapp, Manager, Community Development Strategy, Department of Planning and Community Development.

Mr J. Madden, Minister for Planning;

Mr Y. Blacher, Secretary;

Mr S. Gregory, Chief Financial Officer;

Ms P. Digby, Deputy Secretary, Planning and Local Government;

Mr J. Gilmore, Executive Director, Planning, Policy and Reform; and

Ms M. Ferrie, Assistant Director, Business Support and Strategy, Department of Planning and Community Development.

Mr J. Madden, Minister for the Respect Agenda;

Dr P. Hertan, Deputy Secretary, the Respect Agenda;

Mr Y. Blacher, Secretary;

Mr S. Gregory, Chief Financial Officer; and

Mr N. Oats, Senior Policy Officer, Policy and Strategy, Department of Planning and Community Development.

**19 May 2010**

***Portfolios: Attorney-General; Racing; Community Services; Mental Health, Senior Victorians; Aboriginal Affairs; Housing; Local Government***

***Department of Justice; Department of Human Services; Department of Health; Department of Planning and Community Development***

Mr R. Hulls, Attorney-General;

Ms P. Armytage, Secretary;

Mr J. Griffin, Executive Director, Courts; and

Ms A. Crouch, Manager, Planning, Performance and Projects Unit, Department of Justice.

Mr R. Hulls, Minister for Racing;

Ms P. Armytage, Secretary; and

Mr R. Kennedy, Executive Director, Gaming and Racing, Department of Justice.

Ms L. Neville, Minister for Community Services;

Ms G. Callister, Secretary;

Mr C. Asquini, Executive Director, Children, Youth and Families Division;

Mr A. Rogers, Executive Director, Disability Services Division; and

Mr A. Hall, Executive Director, Financial and Corporate Services, Department of Human Services.

Ms L. Neville, Minister for Mental Health;

Ms F. Thorn, Secretary;

Dr K. Edwards, Executive Director, Mental Health and Drugs Division; and

Mr P. Fitzgerald, Executive Director, Strategy, Policy and Finance Division, Department of Health.

Ms L. Neville, Minister for Senior Victorians;

Mr J. MacIsaac, Executive Director, People and Communities, Department of Planning and Community Development;

Ms F. Thorn, Secretary;

Dr C. Brook, Executive Director, Wellbeing and Integrated Care and Ageing, Department of Health; and

Ms J. Herington, Director, Aged Care Branch, Department of Human Services.

Mr R. Wynne, Minister for Aboriginal Affairs;

Mr Y. Blacher, Secretary;

Mr I. Hamm, Executive Director, Aboriginal Affairs; and

Mr S. Gregory, Chief Finance Officer, Department of Planning and Community Development.

Mr R. Wynne, Minister for Housing;

Ms G. Callister, Secretary;

Ms M. Crawford, Director of Housing, Housing and Community Building;

Ms A. Congleton, Acting Director, Policy and Strategy, Housing and Community Building; and

Mr R. Jenkins, Manager, Corporate Planning and Performance, Housing and Community Building, Department of Human Services.

Mr R. Wynne, Minister for Local Government;

Mr Y. Blacher, Secretary;

Ms P. Digby, Deputy Secretary, Planning and Local Government;

Mr S. Gregory, Chief Financial Officer; and

Mr J. Watson, Executive Director, Local Government Victoria, Department of Planning and Community Development.

**20 May 2010**

***Portfolios: Sport, Recreation and Youth Affairs; Children and Early Childhood Development; Women’s Affairs; Consumer Affairs; Gaming***

***Department of Planning and Community Development; Department of Education and Early Childhood Development; Department of Justice***

Mr J. Merlino, Minister for Sport, Recreation and Youth Affairs;

Mr Y. Blacher, Secretary;

Dr P. Hertan, Executive Director, Sport and Recreation Victoria;

Mr S. Gregory, Chief Financial Officer;

Ms K. Krsevan, Director, Office for Youth; and

Mr G. Ross, Project Officer, Sport and Recreation Victoria, Department of Planning and Community Development.

Ms M. Morand, Minister for Children and Early Childhood Development;

Professor P. Dawkins, Secretary;

Mr P. Linossier, Acting Deputy Secretary, Office of Children and Portfolio Coordination;

Mr I. Claridge, General Manager, Student Wellbeing; and

Mr J. Rosewarne, Deputy Secretary, Office for Resources and Infrastructure, Department of Education and Early Childhood Development.

Ms M. Morand, Minister for Women’s Affairs;

Mr J. McIsaac, Acting Deputy Secretary, People and Community Advocacy;

Ms J. McCabe, Director, Office of Women’s Policy; and

Ms R. Green, Manager, Family Violence, Department of Planning and Community Development.

Mr T. Robinson, Minister for Consumer Affairs;

Ms P. Armytage, Secretary;

Ms C. Noone, Executive Director, Consumer Affairs;

Ms C. Gale, Executive Director, Community Operations and Strategy; and

Ms A. Crouch, Manager, Planning, Department of Justice.

Mr T. Robinson, Minister for Gaming;

Ms P. Armytage, Secretary;

Mr R. Kennedy, Executive Director, Gaming and Racing; and

Ms A. Blake, Manager, Coordination, Office of Gaming and Racing, Department of Justice.

## **1.2 Responses received to the Committee’s 2010-11 Budget Estimates questionnaire**

Department of Education and Early Childhood Development

Department of Health

Department of Human Services

Department of Innovation, Industry and Regional Development

Department of Justice

Department of Planning and Community Development

Department of Premier and Cabinet

Department of Primary Industries

Department of Sustainability and Environment

Department of Transport

Department of Treasury and Finance

Parliamentary Departments

## APPENDIX 2: RESPONSES TO QUESTIONS ON NOTICE, REQUESTS FOR FURTHER INFORMATION AND UNASKED QUESTIONS

### 2.1 Department of Education and Early Childhood Development

#### 2.1.1 *Children and Early Childhood Development*

**Question:** Please supply any additional details regarding medium and long-term strategies and plans underpinning the Budget and any changes since last year.

*(See Part Two of this report, page A5 of the Children and Early Childhood Development portfolio transcript)*

**Response:** The medium and long term strategies underpinning the Early Childhood Development portfolio are guided by the Victorian Government's policy framework which is complemented by the National Reform Agenda being implemented in partnership with the Commonwealth Government.

#### **Blueprint for Education and Early Childhood Development**

The Blueprint sets out the goals and strategies to achieve the Government's objectives for education and early childhood development.

The Victorian Government believes that every Victorian child deserves the best possible start in life and aims to ensure all children can participate in high quality early childhood services, and to provide extra support where needed.

To achieve this the Blueprint has three key strategies:

- Partnerships with Parents and Communities
- System Improvement
- Workforce reform

#### **Growing Learning and Thriving: Victoria's Achievements in Early Childhood Development**

One change of particular note since the 2009-10 State Budget is the introduction of *Growing Learning and Thriving: Victoria's Achievements in Early Childhood Development* (GLT).

This Statement outlines the vision to achieve increased access to high-quality early childhood health, education and care for all Victorian children and to improve outcomes for disadvantaged Victorians and closely align with the strategies for reform outlined in the Blueprint for Education and Early Childhood Development.

The Government has provided significant additional investment in early years in 2010-11 to support the implementation of the early childhood agenda.

Key GLT initiatives funded in the 2010-11 State Budget include:

#### *System improvement*

- \$38.4 million over four years for Early Childhood Intervention Services

- \$63.1 million over five years for additional kindergarten places

*Partnerships with parents and communities*

- \$2 million over four years for the Maternal and Child Health and Parent Line
- \$14 million for building and expanding kindergartens and children's centres

*Workforce reform*

- \$3.5 million over three years for early childhood workforce initiatives

**Improving Victoria's Early Childhood Workforce: Working to give Victoria's children the best start in life**

In addition the early childhood workforce strategy, *Improving Victoria's Early Childhood Workforce: Working to give Victoria's children the best start in life*, was released in November 2009.

This strategy:

- Is a long-term vision for a highly skilled, professional early childhood workforce, which supports the health, learning and development of all Victorian children.
- Forms part of the Government's substantial investment in ensuring that Victorian children and families have access to high-quality early childhood services, and recognises that an essential ingredient of these services is the qualifications, skills and professionalism of the workforce.

**Question:** Please provide the actual numbers of children attending kindergartens and the participation rates:

- (a) currently;
- (b) as budgeted; and
- (c) the Department's target figures.

*(See Part Two of this report, page A12 of the Children and Early Childhood Development portfolio transcript)*

**Response:** *Kindergarten Enrolments and Participation Rates*

The Government is committed to providing funding to enable every child to access a kindergarten place in the year before school.

In 2010-11 the total number of kindergarten places funded by the Victorian Government will increase from 62,365 to 66,090.

The actual number of children attending kindergarten in 2010 are not yet available.

The target of 66,090 for funded places relates to children attending a first or approved second year of funded kindergarten in the year prior to school.

Victoria's kindergarten participation rate as reported in the 2010-11 Budget Paper No.3 was 92.7 per cent of four year olds attending the first year of a funded kindergarten program in 2009.

An alternative measure of kindergarten participation is reported by the Productivity Commission in the Report on Government Services (RoGS), released in January each year. The RoGS measure of kindergarten participation includes the total number of

enrolments in kindergarten in the year before school, i.e. first and approved second year enrolments.

The most recent result for Victoria reported in the 2010 RoGS was 96.2 per cent for 2008-09, well above the national average of 69.5 per cent.

The RoGS measure of kindergarten participation is used to monitor progress against the National Partnership Agreement on Early Childhood Education (i.e. The proportion of children who are enrolled in an Early Childhood Education program). The Agreement requires that Victoria maintain a kindergarten participation rate of 95 per cent or higher.

**Question:** Please provide information about the pilots of extended kindergarten hours that are being funded.

*(See Part Two of this report, page A14 of the Children and Early Childhood Development portfolio transcript)*

**Response:** Through the Council of Australian Governments (COAG), every State and Territory government and the Commonwealth have endorsed a National Partnership Agreement on Early Childhood Education, which provides funding to ensure that by 2013 every child has access to a quality early childhood education program in the year before formal school.

Pilots will be undertaken to help develop strategies on how 15 hours of kindergarten can be delivered in a range of settings particularly in disadvantaged communities.

The services participating in the pilots will directly increase access from 10 to 15 hours of kindergarten in the second half of 2010 and continue through 2011. The collection of evidence will also inform the review and the policy and funding criteria for a 15-hour program.

The following table provides detail of the 20 services approved to undertake pilots of 15 hours kindergarten programs in 2010 and 2011. Pilots will be delivered in a range of settings including sessional and rotational kindergarten programs and programs that are fully integrated into long day care services. Each pilot is currently finalising the detail of the service model that will be offered to parents.

### Approved Pilot Sites

Service	Service type
Olympic Village Kindergarten – Heidelberg West	Metropolitan, Sessional, 2 groups
Joyce Avenue Children’s Centre – Greensborough	Metropolitan, long day care, integrated
Yarraberg Children’s Centre – Richmond Nth	Metropolitan, long day care, Sessional
Gold Street Children’s Centre – Collingwood	Metropolitan, long day care, Sessional
North Carlton Children’s Centre	Metropolitan, Sessional, 2 groups
Richmond Kindergarten	Metropolitan, rotational, 3 groups
Atherton Gardens Kindergarten – Fitzroy	Metropolitan, rotational, 3 groups
Princes Hill Preschool	Metropolitan, Sessional, 2 groups
Willis Street Kindergarten – St. Albans	Metropolitan, Sessional, 1 group
Brookfield Children’s Services – Melton South	Metropolitan, Sessional, 1 group
Church Hill Kindergarten – Hamilton	Rural, Sessional, 1 group
Penshurst Preschool	Small rural, Sessional, 1 group
Arthur Dickman Child Care Centre – Shepparton	Rural, long day care, Sessional, 2 groups
Katandra West Early Childhood Centre	Small rural, Session, 1 group
Wandong Kindergarten	Rural, Sessional
Knawaa Kindergarten – Swan Hill	Rural, rotational, 3 groups
Yuille Park Children’s Centre – Wendouree West	Rural, rotational, 4 groups
Minyip and Rupanyup Kindergartens	Small rural, Sessional, 1 group across 2 services
Laharum Pre-School	Small rural, Sessional, 1 group

### 2.1.2 Education

**Question:** Could you please provide the Committee with the following information/documents:

- the national partnership agreement to improve teacher quality, literacy and numeracy;
- the national partnership agreement on low socioeconomic status school communities;
- the transparency and accountability agenda papers in government schools and across all schools; and
- the guide for teachers on the rollout of the ultranet – ‘One Year On’ paper  
(See Part One of this report, pages A5–6 of the Education portfolio transcript)

**Response:** (a) & (b) The final Bilateral Agreement (Attachment 1) and Victorian Implementation Plan for the Smarter Schools National Partnerships (NP), incorporating the Improving Teacher Quality NP, Literacy and Numeracy NP and Low socioeconomic status school communities NP (Attachment A-D) are provided as requested.

Additional information is available on the following webpages:

- summary version of the Smarter Schools NPs Victorian Implementation Plan  
<http://www.eduweb.vic.gov.au/edulibrary/public/govrel/natpartnerships/vicimplementation-plan11.pdf>

- list of Victorian schools participating in the Smarter Schools NPs  
[http://www.eduweb.vic.gov.au/edulibrary/public/govrel/natpartnerships/participating-schools\\_list.pdf](http://www.eduweb.vic.gov.au/edulibrary/public/govrel/natpartnerships/participating-schools_list.pdf) (Attachment B of the Implementation Plan)
- COAG page with the original multilateral NP agreements  
[http://www.coag.gov.au/intergov\\_agreements/federal\\_financial\\_relations/index.cfm](http://www.coag.gov.au/intergov_agreements/federal_financial_relations/index.cfm).

(c) Copies of the Transparency and Accountability Initiative documents [were provided to the Committee]. These documents can also be downloaded from the following links:

- *Supporting School Improvement: Transparency and Accountability in Victorian Government Schools*  
[http://www.eduweb.vic.gov.au/edulibrary/public/commrel/policy/Blueprint2008/Blueprint\\_Government.pdf](http://www.eduweb.vic.gov.au/edulibrary/public/commrel/policy/Blueprint2008/Blueprint_Government.pdf)
- *Transparency and Accountability across all School Sectors in Victoria*  
[http://www.eduweb.vic.gov.au/edulibrary/public/commrel/policy/Blueprint2008/Blueprint\\_AllSectors.pdf](http://www.eduweb.vic.gov.au/edulibrary/public/commrel/policy/Blueprint2008/Blueprint_AllSectors.pdf)
- *Measuring performance fairly: developing intake adjusted performance measures in Victorian government schools*  
[http://www.eduweb.vic.gov.au/edulibrary/public/commrel/policy/Blueprint2008/Blueprint\\_Measuring.pdf](http://www.eduweb.vic.gov.au/edulibrary/public/commrel/policy/Blueprint2008/Blueprint_Measuring.pdf).

(d) A copy of the Ultranet Teachers Guide was provided as requested and can be found online at: [http://www.parliament.vic.gov.au/images/stories/committees/paec/2010-11\\_Budget\\_Estimates/Extra\\_bits/Ultranet\\_Teachers\\_Guide.pdf](http://www.parliament.vic.gov.au/images/stories/committees/paec/2010-11_Budget_Estimates/Extra_bits/Ultranet_Teachers_Guide.pdf)

**Question:** Can you please provide to the Committee details on costings for BER funding received by Tallangatta Primary School?

*(See Part One of this report, page A12 of the Education portfolio transcript)*

**Response:** Tallangatta Valley Primary School received a \$435,000 project under the Primary Schools for 21st Century (P21) program. The school's project was completed in May 2010.

The Department is ensuring that all schools receive value for money and the best possible outcome for students and the school community.

The Department's P21 projects are being managed by external project managers. The maximum fee paid for project management services is below the 4% recommended by the Commonwealth Government.

As the Department is still in the midst of tendering processes, it is not possible to provide detailed budget information at this time as it has the potential to distort the tender process/outcome.

The Department will release costing information once the tendering process is completed.

**Question:** Could you please provide to the Committee the full 2009 national report on the results of NAPLAN testing?

*(See Part One of this report, page A18 of the Education portfolio transcript)*

**Response:** The National Report on NAPLAN for 2009 can be accessed at the Australian Curriculum, Assessment and Reporting Authority (ACARA) NAPLAN page:

[http://www.naplan.edu.au/reports/national\\_report.html](http://www.naplan.edu.au/reports/national_report.html)

Further information is also provided on the Ministerial Council for Education, Early Childhood Development and Youth Affairs (MCEECDYA) website at:

[http://www.mceecdya.edu.au/mceecdya/naplan\\_2009\\_report,29487.html](http://www.mceecdya.edu.au/mceecdya/naplan_2009_report,29487.html)

**Question:** Could you please provide the Committee with details regarding strategies in place to increase Victorian students' participation in NAPLAN testing?

*(See Part One of this report, page A18 of the Education portfolio transcript)*

**Response:** The Department is working closely with sectoral authorities and individual schools to develop strategies to increase the participation of students in Victorian government schools in the NAPLAN tests.

These strategies will include:

- The Victorian Curriculum and Assessment Authority (VCAA) writing directly to all school principals, Regional Directors and Regional Managers to encourage them to ensure maximum participation of students in the program.
- The VCAA providing summary data to Regional Managers and Regional Directors of schools that had poor participation in NAPLAN 2010 which can then be used by the regions to target schools for improvement in 2011.
- The VCAA providing a NAPLAN Parents Pamphlet to schools for distribution in March 2011.
- The Department supporting the VCAA strategies through Regional Director Leadership Meetings and at a network level through Regional Network Leaders.

The VCAA is also working with Independent schools and the Catholic Sector.

**Question:** Could you please advise the Committee how the Department is ensuring that students are only accessing appropriate content through the Netbook computers?

*(See Part One of this report, page A19 of the Education portfolio transcript)*

**Response:** There are three elements governing appropriate netbook use:

- Students access the Internet at school through the DEECD single Internet Services Provider (ISP) which filters online access and blocks inappropriate content.
- A User Agreement requires students to utilise the netbooks in a safe and responsible manner and to notify the school where the student encounters inappropriate material.
- Conditions of use guidelines inform the parent and student that content on the netbook is not private and may be inspected for inappropriate content at any time.

**Question:** Could you please provide the Committee with details of the primary schools with class sizes significantly above the average class size for grades 3 to 6?

*(See Part One of this report, page A19 of the Education portfolio transcript)*

**Response:** Data gathered in the 2010 February School Census indicates that the average class size for the Years 3–6 cohort is 23.2. The total number of government schools (Primary and Pri/Sec) with Years 3–6 classes is 1217. (Please note that some very small schools may not have Years 3–6 classes.)

There are 564 schools reporting class sizes above the statewide average. Only 3 schools report class sizes at or above 30 and 268 report an average class size of 25 to 30.

**Question:** Could you please provide the Committee with the following information:

- (a) the number and value of payouts made to students who have suffered from bullying and intimidation since 2000 and what the reasons are for those payouts; and
- (b) what changes have been made to bullying and intimidation procedures at Kerang Technical High School?

*(See Part One of this report, page A25–6 of the Education portfolio transcript)*

**Response:** (a) Since 1 January 2000 the Department paid a total of \$757,751.46 for 14 claims settled out of court and 1 judgment. The reasons for these payments are confidential.

(b) Kerang Technical High School is implementing a comprehensive program as outlined below. It has:

- revised the school’s policies and approaches to address bullying and intimidation
- developed a new Student Engagement Policy which also includes bullying (currently being finalised) in accordance with the Effective Schools are Engaging Schools Student Engagement Policy Guidelines
- undertaken Restorative Practices training by the whole staff
- undertaken a cyberbullying project through the regional office
- implemented community based programs to address antisocial behaviours by working with community agencies including the Kerang District Health Service and the Police
- reviewed the teacher induction program to ensure all teachers are familiar with school policies and procedures, including bullying
- planned a whole staff professional learning workshop to be conducted in Term 3 2010 specifically to address bullying.

**Question:** At the hearing on the 2010–11 budget estimates for the portfolio of Sport, Recreation and Youth Affairs the following question was referred to you: Could you please provide the Committee with details of why there is no further funding beyond 2010-2011 for the Youth Compact program?

*(See Part One of this report, pages P6–7 of the Sport, Recreation and Youth Affairs portfolio transcript)*

**Response:** This question has been referred to Skills Victoria as it falls within that portfolio and not Education. A separate response will be prepared.

## 2.2 Department of Health

### 2.2.1 Health

**Question:** What was the outcome of the internal investigation into the ambulance response times involved in the cases of Mr Noel Cowie from Korumburra, Miss Geordie Duguid from Maffra and Mr Ronald Cook from Sale?

*(See Part One of this report, pages B6–7 and B10–11 of the Health portfolio transcript)*

**Response:** Ambulance Victoria has yet to complete its investigation of these incidents. The outcome of these investigations will be forwarded to the Committee after completion.

**Question:** Please provide a reconciliation of the funding arrangements for the Primary and Dental Health output between 2010-11 and 2009-10, showing in particular the shift of funding from the Department of Health to the new Department of Human Services.

*(See Part One of this report, pages B19–20 of the Health portfolio transcript)*

- Response:**
- The Primary and Dental Health output group works to improve the health and wellbeing of Victorians, particularly those with or at risk of the poorest health status, by developing strong, effective and modern primary health care services as part of Victoria's health care system.
  - The output group is responsible for funding and monitoring primary health services including community health, women's health services, dental health and health promotion. It is also responsible for planning improvements to the integration of the sector and its interface with the acute care sector, especially in relation to people with chronic disease and complex needs including, closing the gap for aboriginal health.
  - The Primary and Dental Health output group budget shows a 5.1 per cent reduction due to the removal of bushfire case management and bushfire-related budgets from this appropriation and transfer to the Department of Human Services.
  - Following the 7 February 2009 bushfires the Victorian Government set up a case management service to provide all people affected directly with assistance to manage the turmoil in their lives. The service was established in all regions but had particular focus on those areas worst hit by the bushfires.
  - For purposes of location in the State Budget, it was part of the Primary Care output appropriation because of the output group's focus on community services and support, and its strong links with Primary Care Partnerships.
  - In addition to the case management service, a number of other bushfire recovery and support programs, including Community Service Hubs, assisted communities at that time of great need. Some of these also used the Primary Care output to flow funding to affected areas.
  - With the decision to split the then Department of Human Services and to create a new Department of Health, a range of initiatives were examined to determine which department was most appropriate to manage these programs.
  - It was agreed that that whilst the primary and dental health output group would remain a viable source for community contact and support, the bushfire-related programs were more in the nature of emergency service support than direct health and thus belonged to the Department of Human Services.

- As a result of the transfer of bushfire-related services to the Department of Human Services, a total amount of \$56.1 million has moved from the Department of Health Primary Health output appropriation to the Department of Human Services appropriation.
- Aside from the reduction in various bushfire initiatives (addressed above) there are significant increases in funding for Early Intervention and Management of Complex conditions that address specifically diabetes patients, improved access to dental care and closing the gap funding targeting aboriginal health issues. These, coupled with wage and indexation increases indicate a real increase of nearly \$33.7 million, and are a very significant investment in primary care.
- If the bushfire-related issues are removed from the primary care equation, then the 'real' shift, rather than being a 5.1 per cent reduction would indicate an increase in the vicinity of 9.3 per cent.
- There has been no reduction in targets, indicating that the underlying primary care program continues to provide targeted community services and support with emphasis on chronic and complex disease management for those with, or at risk of, the poorest health status.

<b>2010-11 STATE BUDGET</b>	
<b>Primary &amp; Dental</b>	<b>TOTAL Primary &amp; Dental (\$m)</b>
<b>Budget Paper No. 3 shows budget movement as follows:</b>	
2009-10 Budget	418.2
2010-11 Budget	396.9
<b>Budget decrease</b>	<b>(21.3)</b>
<b>Percentage of Budget decrease</b>	<b>-5.1%</b>
<b>The budget decrease is made up of:</b>	
ERC Policy Initiatives	8.9
Bushfire Case Management Service transfer to Department of Human Services	(56.1)
Price Indexation, Commonwealth and/or third party revenue, wage adjustments and savings	7.4
Additional depreciation resulting from asset revaluations and reassessment of asset useful lives	13.8
Other, including: insurance, agency asset maintenance, carryover and machinery of government adjustments	4.7
<b>TOTAL</b>	<b>(21.3)</b>

**Question:** Please outline the measures being taken to ensure that people in the Strathbogie and Alpine shires have equal access to health services.

*(See Part One of this report, pages B22–4 of the Health portfolio transcript)*

**Response:** Goulburn Valley Health Service is the major provider of regional health services to the Shire of Strathbogie. Health services are also provided to residents of the shire by hospitals including Northeast Health Wangaratta, Benalla Health and Seymour District Memorial Hospital.

Goulburn Valley Health Service provides a range of services including: emergency medicine, intensive care, paediatrics, rehabilitation, surgical services, obstetric services, oncology, mental health, rural drug and alcohol withdrawal program.

### ***Strathbogie Shire***

The Strathbogie Shire is also serviced by three facilities: Euroa Health Inc., Nagambie Health Care Inc. and Violet Town Bush Nursing Centre Inc.

Euroa Health Inc., a private Bush Nursing Hospital, employs currently 120 fulltime, part time and casual staff. It has 24 acute beds, 30 high care residential aged care beds, and 37 low care residential aged care beds. It offers a range of services including radiography, physiotherapy, occupational therapy, podiatry, ophthalmology, counselling services, antenatal services, and exercise and health programs.

Euroa Health Inc. has been allocated \$279,668 of State Government funding in the 2009-10 financial year to provide acute health and HACC services.

Nagambie Health Care Inc. is a private Bush Nursing Hospital that has 10 acute beds, 38 low care residential aged care beds and one respite residential aged care bed. The Nagambie Community Health Centre was opened recently on a property adjacent to Nagambie Health Care Inc. This new facility, which has been operating since mid-March 2010, contains a GP practice (Nagambie Medical Centre) and consulting rooms for community service and community health visiting services.

Nagambie Health Care Inc. has been allocated \$185,927 in departmental funding in the 2009-10 financial year to provide acute health services.

Violet Town Bush Nursing Centre Inc. is a private bush nursing hospital that has 30 high care residential aged care beds (including 11 respite beds) and 34 low care residential aged care beds (including one respite bed and 22 secure dementia beds). Services delivered include ageing in place, booked respite program and secure dementia care. A day therapy centre provides the following services: medical practitioners and registered nurses, dietetics, diversional therapy, occupational therapy, physiotherapy, podiatry, and speech pathology.

Violet Town Bush Nursing Centre Inc. has been allocated \$30,275 in departmental funding in the 2009-10 financial year to provide HACC services.

Partnerships between local and neighbouring health services are important for local communities. Examples of these include:

- partnerships between Goulburn Valley Health Service (a regional Hospital located at Shepparton) and Nagambie Health Care Inc. that involve Nagambie Health Care Inc. providing transitional care beds for Goulburn Valley Health Service and Goulburn Valley providing allied health services to Nagambie's new community health facility
- three health services in Strathbogie have also partnered with the shire to apply for aged care packages through the Aged Care Allocation Round (ACAR) with Nagambie Health Care Inc. as the lead agency.

Currently, the department is undertaking a project to:

1. map primary health service delivery and access for people in the Strathbogie Shire
2. identify pathways of primary health service and unravel the gaps and barriers to service access
3. work with stakeholders to identify opportunities for increased service coordination to enhance service delivery for people living in the Strathbogie Shire.

The project is due to finish by October 2010; the final report will include recommendations that build on work occurring already in Strathbogie, and inform the Shires Health and Wellbeing Plan.

### *Alpine Shire*

Albury Wodonga Health is the major regional provider of health services to residents of Alpine Shire. Shire residents also access services from Northeast Health Wangaratta. Albury Wodonga Health has campuses in Wodonga and Albury and provides a range of health services including: emergency medicine, mental health, surgical services, intensive care, palliative care, rehabilitation and obstetric services.

The health needs of Alpine Shire residents are also met by Alpine Health. Alpine Health is a public hospital Multi Purpose Service that has campuses at Bright (9 acute beds); a second facility called Hawthorn Village has 40 low care residential aged care beds; Mt Beauty (10 acute beds and 20 high care residential aged care beds) and Myrtleford (15 acute beds and 30 high care residential aged care beds).

Alpine Health provides integrated acute health, community health, and community and residential aged care services for the communities of the Alpine Shire.

As a Multi Purpose Service, Alpine Health is able to pool State and Commonwealth program funds for health and aged care services. This facilitates reconfiguration of services to better meet the health needs of the local community, and choice of service delivery mechanisms appropriate to local circumstances.

In addition to acute health and residential aged care Alpine Health provides an extensive range of services including: day surgery for minor procedures (including endoscopy); diabetic support and education; dietetics; district nursing; health promotion; hospital in the home; occupational therapy; pain management; palliative care services; post acute care; pathology; physiotherapy; podiatry; primary care; renal dialysis; rural adolescent program; team midwifery program (which includes ante-natal, birthing and post-natal care); men's sheds; and, cancer support groups.

Since the State Government came into office, acute funding to the Alpine Health has increased by 94.6 per cent. In 2009-10 the Victorian Government has provided over \$11 million of departmental funding including \$96,000 for new equipment.

**Question:** Please confirm whether asbestos-related issues exist with regard to the laundry at the Bendigo Hospital and whether the laundry is not going to be replaced.

*(See Part One of this report, pages B34–5 of the Health portfolio transcript)*

**Response:** The laundry building on the Anne Caudle site of Bendigo Health contains asbestos in the floor tiles, some pipe lagging and the roof structure. Bendigo Health has an asbestos management plan in place which includes regular checks and involves the use of specialist hygienists when work is carried out in asbestos risk areas.

A study is underway to determine the options for provision of laundry services to meet the current and future needs of Bendigo Health. The outcomes of this study will be considered by Bendigo Health and the Department of Health before any decisions are made on the future provision of laundry services and the retention of the current laundry building.

The New Bendigo Hospital project, as announced by the Premier on 4 May 2010, can proceed without requiring the laundry to be relocated or replaced.

**Question:** Please provide details relating to the way in which the sub-acute beds package funded by the Victorian Government some 18 months ago, as part of the settlement of the medical enterprise bargaining with the AMA, has flowed through the system.

*(See Part One of this report, pages B36–7 of the Health portfolio transcript)*

**Response:** Funding for the sub-acute bed package enabled:

- addition of 170 beds for rehabilitation; geriatric evaluation and management; restorative care; and, palliative care – equivalent to 60,363 sub-acute bed days
- ten thousand (10,000) additional Sub-acute Ambulatory Care Services (SACS) occasions of service (\$2.5 million)
- sustaining seven residential in-reach services (\$2.5 million)
- capital to refurbish existing spaces facilitating the opening of beds (\$1 million)

#### ***Bed Package Outcomes***

	<b>Rehabilitation</b>	<b>Geriatric, Evaluation &amp; Management</b>	<b>Restorative Care</b>	<b>Palliative Care</b>	<b>TOTAL</b>
Bed numbers	8	95	57	10	<b>170</b>
Bed days	2,776	33,145	20,805	3,637	<b>60,363</b>

Victoria is expected to achieve 9.8 per cent growth in sub-acute activity on the 2007-08 baseline by the end of the 2009-10 financial year.

**Question:** Please provide a list of numbers of hospital beds and bed types in each of the public health services and public hospitals in Victoria, thereby providing the number of beds open on a consensus day e.g. 30 April 2010.

*(See Part One of this report, page B41 of the Health portfolio transcript)*

**Response:** The established measure of available beds used in the Australian Health system is an annualised average number of available beds. Data is collected for planning purposes and is provided to other agencies such as the Australian Institute of Health and Welfare (AIHW) and Australian Bureau of Statistics (ABS). I refer the honourable member to the most recent data published which is available from the AIHW site at:

[http://www.aihw.gov.au/hospitals/ahs07-08\\_table\\_03\\_03.cfm](http://www.aihw.gov.au/hospitals/ahs07-08_table_03_03.cfm)

### **2.2.2 Mental Health**

**Question:** With regard to the investment in mental health, please provide information that discloses trends that encompass the past three years, the budget year and the forward estimates.

*(See Part Two of this report, pages B3–5 of the Mental Health portfolio transcript)*

**Response:** Since 2007-08 the State Government’s investment in the Department of Health’s mental health output group has grown from around \$819 million in 2007-08 to around \$1,007 million in 2010-11, a 23 per cent increase.

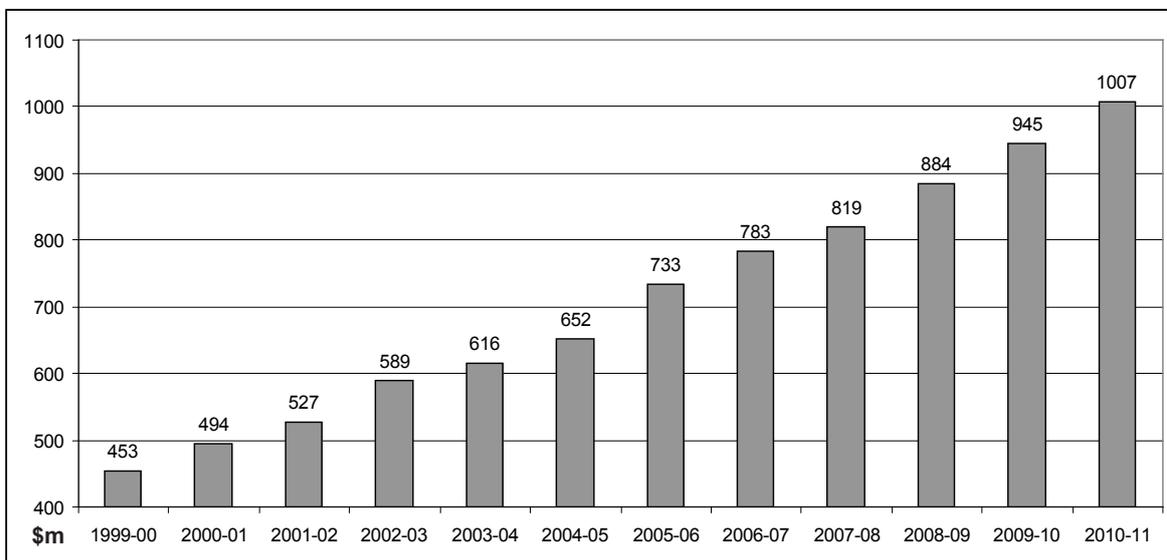
In 2010-11, the mental health budget – excluding capital – will be \$1.007 billion, which is 122 per cent more than ten years ago.

Capital investment continues, with \$70 million Total Estimated Investment (TEI) provided in the 2010-11 State Budget:

- \$14 million TEI for a 22-bed community care unit at the Heidelberg Repatriation Hospital
- \$56 million TEI for a new 75-bed mental health inpatient facility at the Bendigo Hospital.

This builds on the \$74 million allocated in the 2009-10 State Budget.

The table below provides information on mental health funding since 1999-2000.



**Question:** Please provide details relating to the inpatient units in receipt of funding to enable the physical separation of the sexes in psychiatric wards.

*(See Part Two of this report, page B6 of the Mental Health portfolio transcript)*

**Response:** In the 2006-07 financial year, a one-off environmental grant of \$20,000 was made to adult acute inpatient units. The purpose was to make environmental alterations that enhance safety and contribute to a sense of security, particularly for female clients. Mental health services have applied this funding to good effect by undertaking a range of improvements, including: converting spaces into female-only lounges; creating family visiting areas; improving locks on bedrooms; and, addressing privacy concerns by applying reflective film to bedroom windows.

The services received funding in the following amounts.

Funding as per number of acute inpatient units auspiced by each service	Amount (\$)
Austin Health	20,000
Bayside Health	40,000
Eastern Health	40,000
Melbourne Health	80,000
Mercy Public Hospitals Inc.	20,000
Peninsula Health	20,000
Southern Health	80,000
St Vincent's Health	40,000
<b>TOTAL</b>	<b>340,000</b>

All new capital stock and major refurbishments of mental health inpatient facilities are designed to allow flexible management, including the option of a segregated bedroom area for women.

On an individual project basis, Department of Health involvement in current capital projects ensures the inclusion of gender-specific areas in inpatient design, emphasising the importance of gender safety/sensitivity in planning all capital projects. Gender sensitive design has also been carried over into the development of purpose built Prevention and Recovery Care (PARC) facilities, and is a consideration in planning for Alcohol and Other Drugs (AoD) residential withdrawal and rehabilitation facilities.

Examples of developments with improved design include those at Maroondah, Dandenong and Northern Hospitals, that include specifically the identification of gender separation in facility development. During 2008-09 an allocation of \$320,000 enabled Alfred Psychiatry to develop a gender-specific area within the ground floor inpatient unit without loss of existing bedstock. More recently, allocations approval of \$36,985 has been made to Upton House (Eastern Health) for minor works to improve the unit and create a gender-specific area. The Secure Extended Care Unit at Ballarat will also receive a grant of \$85,000 to improve gender-specific and family areas.

**Question:** Given the outstanding success of outreach worker Ivan Lister, will his position be fully funded for the next four years?

*(See Part Two of this report, page B8 of the Mental Health portfolio transcript)*

**Response:** In recognition of the work undertaken by Mr Lister, his position has again been funded for the next twelve months.

## 2.3 Department of Human Services

### 2.3.1 Community Services

**Question:** Please advise the Committee of the background underpinning the arrangements that have been established for independently reviewing compliance with practice standards and key statutory obligations dealing with, among other things, the development of best interest case plans for vulnerable children.

*(See Part Two of this report, pages C22–7 of the Community Services portfolio transcript)*

**Response:** In response to a recommendation contained in the Ombudsman Victoria report *Own motion investigation into the Department of Human Services Child Protection Program* (November 2009), the Department of Human Services (DHS) has established the Child Protection Practice Standards and Compliance Committee (the Committee). The Committee is chaired by an independent chair with expertise in the fields of monitoring and accountability. Independent members of the Committee have qualifications or expertise across one or more of the fields of academia, health, child protection, auditing and quality assurance, indigenous issues.

### **2.3.2 Housing**

**Question:** Please outline the involvement of VicUrban in constructing private rental accommodation and clarify who are the recipients of subsidies under such arrangements.

*(See Part Two of this report, page D7 of the Housing portfolio transcript)*

**Response:** To clarify my remarks at PAEC:

VicUrban operates commercially as a land developer and assembler to facilitate the delivery of housing and government policy objectives.

VicUrban contributes to housing affordability by providing people with housing lots at competitive price points in the local market, and by delivering government funded affordable rental housing through accessing programs such as the National Rental Affordability Scheme (NRAS).

NRAS is available to support the market to deliver new affordable rental housing.

The Australian Government confirmed VicUrban's eligibility to apply to NRAS at the commencement of the Scheme.

VicUrban has been allocated 100 NRAS incentives for its Avondale Heights development following a competitive assessment process managed by the Australian Government with support from the Victorian Government.

VicUrban is the land developer and is working to secure an investor partner who would own the NRAS dwellings and subsequently receive the NRAS benefit once the dwellings are available to rent by eligible households. The dwellings will be managed by a not-for-profit registered housing agency.

**Question:** Please clarify whether the number of direct-owned or managed public housing dwellings in Greater Geelong has decreased under the current government by 87, from 3,585 to 3,498.

*(See Part Two of this report, page D10 of the Housing portfolio transcript)*

**Response:** The amount of Government owned stock in June 1999 was 3582 units in Greater Geelong. As at June 2009, it is 3498. This is a net decline of 84 units.

The bulk of stock reductions in Government owned stock occurred in the period from June 2005 to June 2008, when approximately 122 older, poor quality units were demolished in Norlane.

Norlane is both a redevelopment site and part of a Neighbourhood Renewal location. As part of these processes, demolitions have made way for a new investment for the \$40 million Norlane regeneration, which will provide in total 200 new units, 40 of which have been delivered and the remaining 160 to be delivered in the coming years.

In addition to the public housing in Greater Geelong there is also a significant investment being made through Housing Associations to grow the overall supply of social housing.

**Question:** Please supply copies of the two evaluations that have been carried out of the neighbourhood renewal program.

*(See Part Two of this report, pages D12-13 of the Housing portfolio transcript)*

**Response:** Copies of the two evaluations were provided to the Committee as requested and can be found online at:

[http://www.parliament.vic.gov.au/images/stories/committees/paec/2010-11\\_Budget\\_Estimates/Extra\\_bits/Neighbourhood\\_Renewal\\_-\\_evaluations.pdf](http://www.parliament.vic.gov.au/images/stories/committees/paec/2010-11_Budget_Estimates/Extra_bits/Neighbourhood_Renewal_-_evaluations.pdf)

**Question:** With regard to the operation of rooming houses, what action has been taken in relation to the case of Jane Butcher and her 16 year-old son?

*(See Part Two of this report, page D13 of the Housing portfolio transcript)*

**Response:** Housing and Community Building are aware of the case of Jane Butcher and are actively working to provide the appropriate assistance. Due to confidentiality I am not in a position to provide individual client details.

**Question:** Please review the response provided by the Department of Human Services to question 8.1(c) of the Estimates Questionnaire with regard to listing up to five projects worth over \$1 million to address environmental issues and provide further details if required.

*(See Part Two of this report, page D13 of the Housing portfolio transcript)*

**Response:** The Department of Human Services generally addresses environmental factors in initial or stage development costings of its infrastructure projects, or focuses specifically on environmental issues in its ongoing management of services through a range of ecologically sustainable design and environmental initiatives addressing new construction and retrofit needs particularly in public housing. These initiatives and projects are funded from within existing budget resources.

The 2010-11 Budget provided funding to a new innovative project, The Demonstrating fuel cells in public housing, under the government-wide initiative, *Jobs for the Future Economy*. The *Jobs for the Future Economy* initiative is coordinated by the Department of Innovation, Industry and Regional Development and the Demonstrating fuel cells in public housing project will be delivered in collaboration with the Department of Sustainability and Environment, and Sustainability Victoria.

The Demonstrating fuel cells in public housing project will introduce a revolutionary new combined heating and power system to reduce carbon emissions and energy bills for Victorian public housing tenants. The 2010-11 Budget provides \$0.7 million in 2010-11 and \$0.7 million in the 2009-10 year to work in partnership with locally based company Ceramic Fuel Cells Limited (CFCL) to install 30 BlueGen ceramic fuel cells in homes later in 2010. Performance of the units, which are designed to last

15 years, will be evaluated after two years to review their effectiveness and energy efficiency.

The BlueGen unit is a mini-generator that converts natural gas into electricity and heat with only about a third as much greenhouse gas emission compared to current Victorian systems. The electricity generated supplies power to the home and generates heat to create hot water, removing the need for a separate household hot water unit.

The project is expected to create six new green jobs and sustain a further 90 jobs at CFCL's research and production facility in Noble Park.

## **2.4 Department of Innovation, Industry and Regional Development**

### **2.4.1 Financial Services**

No questions on notice were taken by the Treasurer at this hearing.

### **2.4.2 Industrial Relations**

**Question:** Please supply a copy of the Workforce Victoria Business Plan 2009-10.

*(See Part One of this report, page D3 of the Industrial Relations portfolio transcript)*

**Response:** A copy of the Workforce Victoria Business Plan 2009-10 was provided to the Committee and can be found online at: [http://www.parliament.vic.gov.au/images/stories/committees/paec/2010-11\\_Budget\\_Estimates/Extra\\_bits/Workforce\\_Victoria\\_Business\\_Plan\\_2009-10.pdf](http://www.parliament.vic.gov.au/images/stories/committees/paec/2010-11_Budget_Estimates/Extra_bits/Workforce_Victoria_Business_Plan_2009-10.pdf)

Note that the business plan is a dynamic document that will vary to take into account changing circumstances and priorities. It is under review as part of customary and regular Departmental processes.

**Question:** The Department provides funding to JobWatch which includes money allocated when the Office of the Workplace Rights Advocate was abolished. JobWatch is said to be overwhelmed with demand and potential users, especially young people, report an inability to access the phone hotline. Is the current level of funding insufficient and what needs analysis has the Department done?

*(See Part One of this report, page D7 of the Industrial Relations portfolio transcript)*

**Response:** Job Watch is a not for profit community legal centre that provides assistance to Victorian workers and prospective workers about their employment rights. The Victorian Government has provided substantial funding to JobWatch since the early 1980s.

In May 2006, the Victorian Government entered into a three year agreement with JobWatch to operate the Workplace Rights Information Line (WRIL) on behalf of the OWRA. This agreement and service ceased on 31 December 2008.

After the agreement and service ended, the number of callers to the WRIL dropped dramatically and remaining callers to the WRIL received a recorded message referring them to both JobWatch and the government's Victorian Business Line.

The 2010 Caller Satisfaction Survey Report prepared by JobWatch, indicated that 94.6 per cent of respondents rated the assistance they received from JobWatch as ‘good’ or ‘very good’. Additionally, JobWatch provides callers with recorded messages when on hold about their progress in the queue and a call back service is offered. The 2010 Caller Satisfaction Survey Report also indicated approximately 92.3 per cent of callers who used the call back service said that they were satisfied with the service.

Funding to JobWatch is provided through an agreement with the State of Victoria (represented by the Department of Innovation, Industry and Regional Development - DIIRD). Funding is based on agreed key performance indicators relating to telephone inquiries, legal services, community education and legal reform work. DIIRD consults closely with JobWatch in developing the key performance indicators.

For the period 2009-10, JobWatch received \$871,000 funding from the Victorian Government. A 2010-13 funding application by JobWatch is currently being considered by the DIIRD.

### 2.4.3 **Industry and Trade**

**Question:** Please provide a breakdown of how funding previously part of the Industries and Innovation output has been distributed or redistributed to various areas in this budget and in the future.

*(See Part One of this report, page E6 of the Industry and Trade portfolio transcript)*

**Response:** The decrease of 15.9 per cent in the Industries and Innovation output group cost from the 2009-10 initial Budget (\$312.4 million) to the 2010-11 Budget (\$262.8 million) is made up of decreases in funding due to completion of funding for:

- Industry Transition Fund \$36.0 million;
- Life Sciences Statement \$20.0 million;
- Skills Statement \$4.7 million;
- Small Business Statement \$4.1 million;
- STI Initiative \$2.6 million;
- Enhancing Sustainability in Investments \$1.3 million;
- World Class Service \$1.3 million;
- Koori Business Network \$1.0 million;
- Service Victoria \$1.0 million;
- VicAlliance Initiative \$0.6 million; and
- e-Research Initiative \$0.4 million.

The decrease in the output group cost was also due to:

- reduction in VicStart cash flow \$0.2 million;
- savings, overhead reallocation and depreciation centralisation \$4.6 million; and
- reduction in the grant to Film Victoria \$4.1 million, due to completion of funding for Developing Creative Industries.

The decrease in the output group cost is offset by new funding for:

- the Olivia Newton-John Cancer and Wellness Centre \$4.8 million;
- Time to Thrive 2 \$4.2 million;
- Carbon Markets Initiative \$3.1 million;
- the Victorian Screen Industry \$2.1 million;
- Strong Economic Pathways for Aboriginal Victorians \$1.3 million;
- Docklands Film and Television Studios \$0.2 million; and
- International Education Strategy \$0.1 million.

The decrease is offset by additional funding for:

- Victorian Industry and Manufacturing Strategy \$1.0 million;
- Australian Synchrotron \$1.0 million; and
- Skills for Growth \$0.9 million.

The decrease in cost was also offset by:

- rephased funding for the Industry Transition Fund from 2009-10 \$5.0 million;
- additional funding for the Victorian Innovation Strategy (VIS) \$5.6 million (\$4.5 million being the difference in cashflow between 2009-10 to 2010-11 and \$4.1 million due to rephrasing of VIS from 2009-10 to 2010-11); and
- estimated carry forward from 2009-10 \$3.0 million.

**Question:** Please provide any additional details about the last three projects announced under the Regional Aviation Fund.

*(See Part One of this report, page E8 of the Industry and Trade portfolio transcript)*

**Response:** [See table below]

Project Name	Organisation	Total Project Cost	RIDF Amount Approved
Portland Airport Redevelopment (Stage 2)	Glenelg Shire Council	\$2,080,000	\$1,350,000
Hamilton Airport Upgrade	Southern Grampians Shire Council	\$2,875,000	\$2,300,000
Stawell Airport Upgrade (Stage 2)	Northern Grampians Shire Council	\$2,950,000	\$2,497,000

**Question:** Please provide details relating to the percentage of the new jobs that have been created that are casual and the percentage that are part-time.

*(See Part One of this report, page E12 of the Industry and Trade portfolio transcript)*

**Response:** In April 2010, 199,600 more jobs were created in Victoria compared to April 2009. Of these, 57,000 were full time jobs (52 per cent). Overall, full time jobs account for 69 per cent of all jobs in Victoria, as at April 2010.

The ABS publication Forms of Employment (Cat no 6359.0) is the most recent publication with data regarding casual work. It looks at numbers for November 2008 and 2009 and as a result, cannot be used to provide details on the percentage of new jobs created in 2010 that are casual.

## **2.4.4 Information and Communication Technology**

**Question:** Please provide the Committee with a breakdown of the value of ICT projects and programs (from the 37 projects and programs underway) against the total target output cost of \$164.9 million, as contained in Budget Paper 3, page 121.

*(See Part One of this report, pages F4–5 of the Treasury portfolio transcript)*

**Response:** The total Science and Technology Output cost for 2010-11 as contained in Budget Paper 3, page 122 is \$164.9 million. Of this, an amount of \$13.4 million is the estimated cost of the 37 ICT-related projects and programs underway.

## **2.4.5 Innovation**

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

## **2.4.6 Major Projects**

**Question:** Please supply copies of the 2002 Mott McDonald study, the 2002 Flyvbjerg study and the 2006 Blake Dawson Waldron study on infrastructure project delivery.

*(See Part One of this report, page H7 of the Major Projects portfolio transcript)*

**Response:** The 2002 Mott McDonald study, the 2002 Flyvbjerg study and the 2006 Blake Dawson Waldron study on infrastructure project delivery were provided to the Committee and can be found online at: [http://www.parliament.vic.gov.au/images/stories/committees/paec/2010-11\\_Budget\\_Estimates/Extra\\_bits/Mott\\_McDonald\\_Flyvbjerg\\_Blake\\_Dawson\\_Waldron\\_studies.pdf](http://www.parliament.vic.gov.au/images/stories/committees/paec/2010-11_Budget_Estimates/Extra_bits/Mott_McDonald_Flyvbjerg_Blake_Dawson_Waldron_studies.pdf)

**Question:** Please provide a list of MPV's 15 projects initiated since 2000 and completed by the end of 2009.

*(See Part One of this report, page H7 of the Major Projects portfolio transcript)*

**Response:**

1. Australian Synchrotron
2. Austin Health redevelopment and Mercy Hospital for Women relocation (new towers)
3. Commonwealth Games Athletes Village
4. Former Fish Market site redevelopment which included the Flinders Street Station overpass demolition
5. Hepburn Springs Bathhouse redevelopment
6. Melbourne Convention Centre development
7. MRC/MTC Theatre
8. Melbourne Sports and Aquatic Centre (stage 2)
9. Parliament House catering upgrade
10. Royal Melbourne Showgrounds redevelopment
11. State Library (stage 6)
12. William Barak Bridge
13. Ngargee Australian Centre for Contemporary Arts

14. Docklands Film and Television Studio

15. Bonegilla Migrant Experience

### **2.4.7 Regional and Rural Development**

**Question:** With regard to issues surrounding the performance of the Andeco construction company in relation to making payments to sub-contractors connected with the construction of the Paynesville Community Centre, could you inform the Committee of the background to this matter and the position taken by you and your department in terms of permitting Andeco to bid for further government contracts over the forward estimates period?

*(See Part One of this report, pages 14–5 of the Regional and Rural portfolio transcript)*

**Response:** In 2007, the East Gippsland Shire Council determined to build an expanded Paynesville Community Centre, including medical consulting suites on the site of the existing Paynesville Community Centre building in the Esplanade, Paynesville. The total project cost was estimated to be \$4.4 million.

The Federal and State governments each allocated \$1 million to the project with the East Gippsland Shire Council providing the balance of the funds. State Government funding was provided through the July 2007 Gippsland Flood Recovery allocation.

East Gippsland Shire Council awarded Andeco the tender to construct the new building on 2 September 2008. Following a number of months of difficulties with contractor performance and processes including unsuccessful discussions, formal contract dispute processes and attempts at mediation, the Council took the contract out of the hands of Andeco on 11 November 2009.

East Gippsland Shire Council has negotiated in good faith with the eight subcontractors on issues including part payment by the Shire of the monies owed to them by Andeco; completion of their work at the rates previously agreed with Andeco; and assistance in a joint action in recovering the monies owed by Andeco. Negotiations with all but one subcontractor have been successful to date.

Within the Regional and Rural Development Portfolio, regional projects are generally supported by way of grants provided to local government or other organisations. Grantees are responsible and accountable for ensuring that all due diligence is undertaken as part of awarding tenders for funded projects.

Nonetheless, Regional Development Victoria, the primary agency responsible for delivery under this portfolio, is currently working with councils in the Gippsland region as part of the Gippsland Procurement Working Group to implement initiatives that improve procurement of councils in the network.

With regard to Andeco in particular, it is understood that Andeco Construction Group Pty Ltd is currently under External Administration.

**Question:** Please outline the processes to be applied over the forward estimates period for confirming the accuracy of outcomes reported by recipients in relation to projects funded from the Regional Infrastructure Development Fund.

*(See Part One of this report, pages 14–5 of the Regional and Rural portfolio transcript)*

**Response:** 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 selection criteria:

- economic;
- socio-economic;
- State and Regional priority;
- project feasibility and delivery;
- Victorian Industry Participation Policy (VIPPP); and
- financial.

Projects considered for funding under RIDF sub-programs are also evaluated against program specific eligibility criteria.

Following assessment by Regional Development Victoria (RDV), projects are reviewed and recommendations made by an independent 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. Grants of greater than \$2 million are also submitted to the Minister for Finance for endorsement.

Following approval, RDV executes a legal agreement with the proponent on behalf of the State. The legal agreement stipulates the conditions and milestones upon which grant payments are made. The grant recipient is required to report to RDV on outcomes achieved as stipulated in the legal agreement.

RDV has undertaken a number of independent evaluations of the RIDF and its various subprograms. The primary evaluation was completed by PriceWaterhouseCoopers for RDV in July 2008. In addition there have been evaluations of the following RIDF sub-programs and project types:

- Stock Over/Underpass Road Safety Scheme (SOURS);
- National Livestock Identification Scheme (NLIS);
- Dairy Power Infrastructure Upgrade (DPIU);
- Natural Gas Extension Program;
- Industrial Estates;
- Local Dairy Industry Roads; and
- Local Ports.

All of these evaluations are available on the RDV website.

Further evaluations will be undertaken as the Fund and programs mature and will continue to be published on the RDV website.

#### **2.4.8 Skills and Workforce Participation**

**Question:** Please provide details of the income from fees received by TAFE institutions for courses they run.

*(See Part One of this report, page J4 of the Skills and Workforce Participation portfolio transcript)*

**Response:** Student fees and charges are included in total revenue as part of the budget line “Sale of Goods and Services”. This line includes the revenue received by each of the institutes, including fees for local and overseas students, income from sale of class materials, and other institute trading operations. As a result, specific charges are difficult to isolate with any precision due to differing allocations made by institutes. When calculating income, each TAFE institute projects its expected student fee income based on their knowledge of enrolment and payment patterns.

**Question:** Please supply a breakdown of the \$316 million funding committed to in Securing Jobs for Your Future – Skills for Victoria.

*(See Part One of this report, pages J4–5 of the Skills and Workforce Participation portfolio transcript)*

**Response:** *Securing Jobs for Your Future – Skills for Victoria* commits \$316 million of additional funding over four years. The funding will provide for an additional 172,000 training places, as well as boost training delivery and workforce engagement, strengthening industry partnerships and driving major operational and structural change in the system. A funding breakdown of the key initiatives under *Securing Jobs for Your Future* is below.

Program	Funding (\$m)
Skills for Growth: The Workforce Development Program	52
Support to Industry Training Advisory Bodies	4
Apprenticeship Retention Projects	2
Apprenticeship and Traineeship Completion Bonus (2010-11)	25
Eligibility Exemptions	10
Adult, Community and Further Education Pre-Accredited Delivery	4
Redeveloped State Register, Qualifications Navigator	8
Training on Demand with Contestable Funding	139
Systems Development and Implementation Support	39
21 <sup>st</sup> Century Connectivity	20
More Teachers, More Skills	2
Stronger Adult Community Education Providers	11
<b>TOTAL</b>	<b>316</b>

**Question:** Please supply information about concessions for certificate ones in TAFEs for concession card holders.

*(See Part One of this report, page J9 of the Skills and Workforce Participation portfolio transcript)*

**Response:** Fees for concession card holders for Skills Creation courses (which incorporates Certificates I and II) are fixed at \$105.00 until the end of 2012.

The Minister also provided a response to the following question from the Sport, Recreation and Youth Affairs portfolio hearing:

**Question:** Could you please provide the Committee with details of why there is no further funding beyond 2010-2011 for the Youth Compact program?

*(See Part One of this report, pages P6–7 of the Sport, Recreation and Youth Affairs portfolio transcript)*

**Response:** The Federal Government’s Compact for Young Australians (Youth Compact) was implemented through a bringing-forward of *Securing Jobs for Your Future - Skills for Victoria*. *Securing Jobs for Your Future* will be fully implemented on 1 January 2011, removing the requirement for a separate funding stream for the Youth Compact.

The Compact provides an entitlement to an education or training place in a government-subsidised course for 15-19 year olds undertaking any qualification and for 20-24 year olds who are upskilling (attaining a higher qualification than they currently hold).

### **2.4.9 Small Business**

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

### **2.4.10 Tourism and Major Events**

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

## **2.5 Department of Justice**

### **2.5.1 Attorney-General’s**

**Question:** Please provide any additional information in relation to medium and long-term strategies underpinning the Budget for your portfolio.

*(See Part Two of this report, page F3 of the Attorney-General’s portfolio transcript)*

**Response:** Key challenges over the medium and long term for Justice, and related to the Attorney General’s portfolio include:

- responding to increasing demand for justice services due to population growth and movement
- meeting the needs of the ageing population and the impact on services and workforce
- addressing over-representation of indigenous and emerging communities in the criminal justice system
- dealing with social disconnection in families and communities and the increased prevalence of mental illness
- increasing the accessibility of courts and ensuring the availability of legal aid
- combating discrimination and social exclusion

The department has identified a number of service responses to these challenges. For the Attorney-General portfolio, these include:

- demand management strategies - such as the Legal Services Masterplan and Managing Court Demand

- reforming key areas - including personal safety intervention orders reforms, the children's court mediation pilot, victims compensation review, the review of civil procedure, the equal opportunity review and work on the national legal profession.
- implementation of the Appropriate Dispute Resolution initiative across Victoria to resolve disputes without the need to resort to the formal justice system
- joined up work across government and communities enabling the department to respond quickly to the needs of specific communities

Key strategies to drive the short, medium and long-term direction of these service responses include:

**Justice Statement 2 (JS2):** Released 2008 JS2 builds on Justice Statement 1 *New Directions for the Victorian Justice System 2004-2014*. Emphasis is on modernising the justice system, ensuring it remains flexible and responsive to change, and safeguarding the rights of the most vulnerable. JS2 provides reforms to reduce the cost of justice, create a unified and engaged court system and promote appropriate dispute resolution.

**Aboriginal Justice Agreement Phase 2:** Released in 2006, the Agreement outlines the government's partnership with the Koori community to tackle disadvantage and inequity, reduce Koori contact with the criminal justice system, and improve the justice process for Indigenous Victorians. Phase 1 was launched in 2000, making important progress toward better justice outcomes for the Koori community. In 2004, the *Victorian Aboriginal Justice Agreement Phase 2* was released, outlining six overall strategies and a series of specific initiatives to be delivered.

**Alternative Native Title Framework:** helping to seek out-of-court settlements of native title through direct negotiations between the state and traditional owner groups.

**Legal Services Masterplan:** Currently in development and due for completion by 2011-12, the Legal Services Masterplan will drive the future direction of the legal services system, presenting a viable and robust strategy for the maintenance, replacement and redevelopment of the Courts, Tribunals and legal services asset portfolio for the next ten years. The Legal Services Master plan will update and modernise Victoria's courts infrastructure and will be a key component to the Government's vision of modern, flexible, responsive, engaged and unified court system.

The majority of these strategies are revised and updated on a yearly basis to ensure accuracy and currency.

**Question:** Please provide details of extra funding provided to the Coroners Court to cope with the tragedies of Black Saturday and heatwave deaths.

*(See Part Two of this report, page F14 of the Attorney-General's portfolio transcript)*

**Response:** \$1.686m funding was provided in 2008-09 to the Coroners Court (\$1.442m) and the Victorian Government Reporting Service (\$0.240m) in response to the Black Saturday fires. In addition, funding totalling \$2.9m will be provided to the Coroners Court to continue to support bushfire related activities.

**Question:** Please quantify the following for the last financial year:

- (a) the value of the fines criminals were allowed off when they were in jail for another offence;

(b) the amount other fine defaulters were allowed to wipe off by applying to go to jail; and

(c) the costs associated with jailing that last group.

*(See Part Two of this report, page F16 of the Attorney-General's portfolio transcript)*

**Response:** (a) Prisoners with outstanding fines may make a request to the Sheriff to 'call in' their warrants and serve prison time in default of payment. However, it is up to a Magistrate to determine whether a warrant may be called in on the application of the Sheriff. The program was implemented under the previous government. The policy basis of the program is to ensure that, following a term of imprisonment, former prisoners are able to reintegrate with society and resume their lives without the prospect of further penalty hanging over them. Fines worth approximately \$3.495 million were called in by prisoners under the Sheriff Warrant Prison Program for the financial year 2008-2009.

(b), (c) Other fine defaulters cannot 'apply' to go to prison to 'wipe off' their fines. Imprisonment as a sanction for fine default is ordered by a judicial officer in a court of law and is always ordered as a sanction of last resort.

## **2.5.2 Consumer Affairs**

**Question:** Please outline any medium and long-term strategies, including any changes from the previous year, which underpin the Budget for your portfolio.

*(See Part Two of this report, page G3 of the Consumer Affairs portfolio transcript)*

**Response:** Key challenges over the medium and long term for the Justice portfolio and related to Consumer Affairs include:

- responding to increasing demand for justice services due to population growth and movement
- meeting the needs of the ageing population and the impact on services and workforce
- tackling violence in public places and reducing a range of social harms (including alcohol abuse), and
- providing consumer protection in a rapidly changing regulatory environment.

Three key strategy areas under the Consumer Affairs portfolio include:

**Implementing New Australian Consumer Law (ACL):** The ACL will be enacted as a Commonwealth Act and is due to come into effect on 1 January 2011. State and Territory Governments have committed to applying the ACL by the end of 2010. The application of the ACL in Victoria will result in large parts of the Victorian Fair Trading Act being superseded.

**Continuing Legislation Modernisation Program:** In 2010-11, Consumer Affairs will continue its program of reviewing and identifying redundant and ineffective legislation. It is expected that up to 19 of the 45 Acts currently in the Consumer Affairs portfolio will be repealed as a result of further modernisation and national reform projects.

**Responsible Alcohol Victoria:** Alcohol-related harm has been identified as a significant concern for the Victorian community. *Restoring the Balance' Victoria's Alcohol Action Plan 2008-13* (the VAAP) was released by the Premier on 2 May 2008.

From 2008, the VAAP has formed the medium-to-long term strategy strengthening the Department of Justice's capacity to prevent and reduce crime and harm associated with alcohol misuse in public places, particularly in and around licensed premises and entertainment precincts. The VAAP incorporates 35 actions in the areas of health, community education, liquor licensing and enhanced enforcement. The Department of Justice is responsible for implementing 13 actions under the VAAP.

Justice's 13 actions under the VAAP have consistently driven the department's achievements in cross-government work with licensees, the community and regulators since the VAAP's 2008 launch, and will continue to lead Justice's endeavours through to 2013.

**Question:** Please clarify the estimated increase in liquor licensing fees with the reduction in targeted inspections, compliance monitoring and enforcement activities for 2010-11.

*(See Part Two of this report, page G3 of the Consumer Affairs portfolio transcript)*

**Response:** The *Regulatory Impact Statement Liquor Control Reform Regulations 2009* (August 2009) estimated the total regulatory costs incurred by the Government associated with liquor licensing at \$35.8 million per year. This estimate included \$6.3 million for costs associated with administering the liquor licensing system and \$29.5 million for undertaking compliance and enforcement activities. The new liquor licence fee structure that commenced on 1 January 2010 aims to recover these regulatory costs from liquor licensees.

Of the \$29.5 million per year incurred in undertaking compliance and enforcement activities, \$10.3 million relates to the cost of operating the Liquor Licensing Compliance Directorate within Responsible Alcohol Victoria (with the remainder incurred by Victoria Police). There is no direct relationship between the liquor licence fees and the targeted quantity of inspections, compliance monitoring and enforcement activities in the budget papers, as the measures relate equally to the quality of those inspections.

In 2010-11, the Responsible Alcohol Victoria component of the target for inspections, compliance monitoring and enforcement activities will reduce from 25,000 to 16,000. When the Compliance Directorate commenced operations in July 2009, its immediate priority was to embark on an industry-wide inspection program to educate licensees about the importance of complying with their obligations under Victoria's liquor laws. The second phase of compliance activity, to be undertaken from 2010-11, will be a targeted approach focusing on licensed premises associated with the most risk of alcohol-related harm. This approach will maximise the effectiveness of the Compliance Directorate and create awareness that these venues can expect multiple in-depth inspections and follow-up compliance activity.

**Question:** In relation to the information provided to the Committee with regard to liquor licensing renewals and hardship waivers granted, please, as promised, check the accuracy of this information, outline how many people did not renew their licence this year and provide any other material relating to the questions raised that could be useful to the Committee.

*(See Part Two of this report, pages G5-6 of the Consumer Affairs portfolio transcript)*

**Response: Applications under the hardship scheme**

The Director of Liquor Licensing received 788 applications under the hardship scheme, with 22 applications ineligible because they were made by businesses that had more than five employees.

Type of application	Number received	Number ineligible	Number not progressed	Number granted	Number denied	Number pending
Hardship	788	22	59	302	405	0

Of the 59 applications that were not progressed:

- 32 were withdrawn by the applicant
- 27 were submitted after the conclusion of the hardship process.

Of the 707 eligible applications that were assessed:

- 302 were granted and received a reduction in fees
- 405 were denied and did not receive a reduction in fees.

Of the 405 eligible applications that were denied by the Director of Liquor Licensing:

- 362 were denied because the renewal fee represented less than 1% of revenue
- 8 were denied because the licensee operated beyond 3.00 am and chose not to reduce operating hours (as a means of reducing their renewal fee and the risk of alcohol-related harm) after being given the opportunity to do so
- 35 were denied because the applicant provided insufficient information to enable the Director to assess the application despite numerous attempts to gain the necessary information.

Most successful applications under the hardship scheme were granted a 25% reduction to the renewal fee payable. The fee reduction was greater in cases where specific circumstances warranted – for example, five licensees devastated by the bushfires in February 2009 were required to pay a renewal fee of only \$1.

Fee reductions under the hardship scheme resulted in revenue foregone of \$68,381.

**Licensees that have not renewed their liquor licence**

As at 8 June 2010, 1,191 liquor licensees (or 6.1% of all licensees) have yet to pay their 2010 renewal fee. The Compliance Directorate is following up licensees that are yet to pay their licence fees.

Between 15 November 2009 (when the renewal fee invoices were prepared) and 8 June 2010, 552 licences (or 2.8% of all licences) have been surrendered. The number of licences constantly changes as new licences are issued and existing licences are surrendered. As at 8 June 2010, there were 19,496 liquor licences in Victoria. In comparison, there were 19,309 liquor licences when the renewal fee invoices were prepared.

**Question:** In relation to applications for liquor licences for one-off events, please describe the factors that can lead to applicants not receiving a decision on their application until, in some cases, 24 hours before the event.

*(See Part Two of this report, pages G10–11 of the Consumer Affairs portfolio transcript)*

**Response:** The majority of applications for a temporary limited licence are determined within 48 hours of receiving a completed application.

The application form advises applicants that they should lodge their application at least 8 weeks before the event commences because in some cases the Director of Liquor Licensing may require further information or the application may need to be publicly displayed.

However, applicants do not always follow this advice and applications are often lodged shortly before an event. Although Responsible Alcohol Victoria endeavours to determine these applications prior to the proposed event, this is not always possible, particularly where the proposed event may have an adverse amenity impact and further information is required prior to determination.

Some applications must be referred to Victoria Police or the relevant local Council for comment before they are determined, and in some cases the application will need to be publicly displayed for 28 days. If insufficient time has been allowed by the applicant, the application may be determined shortly before the proposed event.

Applicants should note the information provided on the application form and ensure that sufficient time is available for the application to be processed.

**Question:** With regard to safety issues connected with cords from blinds, please describe the particular features of the compliance program being rolled out according to type of venue, such as serviced apartments, rather than only domestic homes.

*(See Part Two of this report, page G8 of the Consumer Affairs portfolio transcript)*

**Response:** On 31 December 2008 a mandatory standard was introduced requiring all new curtain and blind cords sold in Victoria to have safety measures to prevent the strangulation risk associated with looped cords.

Following the introduction of the mandatory standard, an education campaign was conducted to inform suppliers and installers as to their obligations under the standard.

A broader community communication campaign was also conducted between January and April 2010 which included television infomercials alerting parents and carers to the strangulation risks posed by loop cords and offering a free 'safety kit' (containing five safety devices) for existing curtains and blinds.

Consumer Affairs Victoria (CAV) also wrote to all childcare centres, maternal and child health centres, maternity wards, local council offices, public and private schools, kindergartens, real estate agents and public housing authorities asking them to promote the campaign and encouraging them to lead by example and ensure that blind cords in their premises are made safe. CAV inspectors, to ensure continued compliance with the standards, also carry out ongoing spot checks of suppliers.

The Hotel Motel and Accommodation Association (HMA), the peak body for the Australian Accommodation Industry, which includes the serviced apartments sector, has also agreed to publish an article on curtain and blind cord safety in their industry newsletter, which will be circulated to all Victorian members.

### 2.5.3 Corrections

**Question:** Please provide details of the information used by Corrections Victoria to understand why the rate of women going to prison has increased in the last year.

*(See Part One of this report, pages L9–10 of the Corrections portfolio transcript)*

**Response:** Consultations with stakeholders across the breadth of the justice system, including Victoria Police, Courts, the Sentencing Advisory Council, the Adult Parole Board and Corrections Victoria operational and policy areas, indicate the growth in the female prisoner population has been driven by a number of key factors including:

- An increase in policing resources and operations focused on drug related crime
- An increase in seriousness of female offending behaviour; and
- An increase in the use of remand (as a consequence of offence type and seriousness)

**Question:** Please supply a timetable for the upgrade of facilities at the Dame Phyllis Frost Centre.

*(See Part One of this report, pages L9–10 of the Corrections portfolio transcript)*

**Response:** The following timetable outlines the additional accommodation that will be implemented at the Dame Phyllis Frost Centre:

- July 2010: An additional 57 temporary beds will be added to the capacity at DPFC to manage the current demand; and
- March 2012: An additional 84 permanent beds will be added to the operational capacity of DPFC.

### 2.5.4 Gaming

**Question:** Please provide a reconciliation of the estimated aggregate gambling tax revenue over the forward estimates in last year's budget compared to this year's budget.

*(See Part Two of this report, pages H9–10 and 14–15 of the Gaming portfolio transcript)*

**Response:** Revenue policy and estimates, including gambling tax revenue, is the responsibility of the Treasurer and his Department of Treasury and Finance. Therefore, this question should be directed to the Treasurer.

**Question:** Please provide an outline of the plans in place for integrating gaming regulatory functions with those of liquor.

*(See Part Two of this report, pages H15–16 of the Gaming portfolio transcript)*

**Response:** Integrating liquor and gambling regulation is planned to increase efficiency, reduce administrative costs and allow resources to be directed to monitoring and compliance activities, which will become more important when venue operators are able to own and operate gaming machines in 2012. The Department of Justice is in the process of developing structural options for integrating liquor and gambling regulation for the Minister's consideration.

## 2.5.5 Police and Emergency Services

**Question:** Please furnish a copy of the 2009-10 priority document as well as the document for 2010-11 when finalised.

*(See Part One of this report, page M4 of the Police and Emergency Services portfolio transcript)*

**Response:** A copy of the Department of Justice Strategic Priorities 2009-10 was provided to the Committee and can be found online at:

[http://www.parliament.vic.gov.au/images/stories/committees/paec/2010-11\\_Budget\\_Estimates/Extra\\_bits/DoJ\\_Strategic\\_Priorities\\_2009-10.pdf](http://www.parliament.vic.gov.au/images/stories/committees/paec/2010-11_Budget_Estimates/Extra_bits/DoJ_Strategic_Priorities_2009-10.pdf)

A copy of the Department of Justice Strategic Priorities 2010-11 was provided to the Committee and can be found online at:

[http://www.justice.vic.gov.au/wps/wcm/connect/8b293180404a842f92e1fbf5f2791d4a/Strategic\\_Priorities\\_2010-11\\_Web.pdf?MOD=AJPERES](http://www.justice.vic.gov.au/wps/wcm/connect/8b293180404a842f92e1fbf5f2791d4a/Strategic_Priorities_2010-11_Web.pdf?MOD=AJPERES)

**Question:** Please confirm the extent of CCTV coverage in police cells.

*(See Part One of this report, page M13 of the Police and Emergency Services portfolio transcript)*

**Response:** All Category A cells are now covered by digital CCTV with a recording time of 30 plus days. A Category A cell is defined as being in a police station with the capacity to provide 24-hour operation and support observation of persons in police cells. All Category A police facilities were upgraded with regards to CCTV capability between April 2009 and August 2009, in line with the Ombudsman/Office of Police Integrity's recommendations. The balance of 24-hour facilities (that contain Category Band C cells only) have varying degrees of CCTV coverage. These are upgraded as and when the need arises.

**Question:** In relation to the roll out of a digital system (both voice and video) for interview rooms, please advise the Committee of:

- (a) progress achieved to date;
- (b) the estimated time for completion;
- (c) the extent and scope of the roll out across police stations and interview rooms;
- (d) the factors that determine when audio is used compared to when both audio and video are used;
- (e) the circumstances where people are just being held (e.g. in a holding cell) as distinct from a normal category A or category B police cell; and
- (f) costs involved in the roll out.

Please provide your response also in the context of the wider system (i.e. including the Director of Public Prosecutions and courts), not just police.

*(See Part One of this report, pages M13–14 of the Police and Emergency Services portfolio transcript)*

**Response:** Funding was provided in the 2008-09 Budget for the Evidentiary Audio Visual Recording Equipment initiative for the replacement of all analogue recording equipment at Victoria Police, the Office of Public Prosecutions (OPP) and the Courts Technology Group to allow evidence to be recorded and transferred seamlessly

throughout the evidentiary process. (ref: 2008-09 BP3 pages 335, 339 and 341) The funding enabled the supply of digital video recorders capable of directly producing DVDs to replace:

- all analogue audio tape recorders used by police to record evidence during police interviews; and
- all analogue video tape recorders used by police to record evidence of victims of crime.

The initiative also addressed capability at the OPP and Courts to ensure end-to-end digital capacity, so that audio visual evidence recorded by police or captured elsewhere (e.g. CCTV security footage) could be stored, copied, edited and played in Court in digital format, or, if necessary, converted to digital format prior to presentation in Court. Additionally, proceedings in the Courts would be recorded, stored and transmitted in a digital format.

The improved Police technology will produce a DVD containing DVD format recording (there are other file types including video recordings that can be saved onto a DVD - hence the distinction). Testing of Police recordings has already taken place to ensure compatibility with OPP and Courts equipment. The existing as well as the new Court equipment can play the DVD format recording produced by Police. The new Courts digital recording and playback equipment is PC based. This provides a further degree of flexibility to install different playback software in future should either OPP or Police choose to change their recording standards in future.

#### **(a) Progress achieved to date**

##### **Victoria Police**

The main rollout of 550 Digital Evidence Capture (DEC) units was completed in August 2009. Subsequent purchases have been made, including units for high security prisons. These units will be rolled out during June 2010.

The Visual and Audio Recorded Evidence (VARE) equipment, which is the VATE (Video and Audio Taped Evidence) replacement, is 95% complete as at the start of June 2010. The last two sites will be completed after the main rollout due to renovations at the stations (end-June 2010).

##### **Office of Public Prosecutions**

Installation, acceptance testing and user training are complete. The system has been utilised in some cases during the 2009-10. Following completion of acceptance testing and advanced level training in June 2010, it will be used for all cases in 2010-11.

##### **Courts**

Upgrades of the central Victorian Government Reporting Service (VGRS) Network and Local Area Network (LAN) Infrastructure have been completed. Preparation of a Disaster Recovery and Backup Strategy is also underway. Rollout of the new digital record solution has commenced in CBD courts along with implementation of a Training and Information Programme for CBD courts users.

#### **(b) The estimated time for completion**

##### **Victoria Police**

The project is due to be complete by 30 June 2010.

## **Office of Public Prosecutions**

Apart from further training scheduled for June-July 2010, the project is due to be complete by 30 June 2010.

### **Courts**

Yet to be completed is the full roll-out of the CBD and wider metropolitan Digital Record Solution, a central monitoring program and continued training and information for new users. The project is due to be completed by 30 June 2011.

### **(c) The extent and scope of the rollout across police stations and interview rooms**

#### **Victoria Police**

569 standard Digital Evidence Capture (DEC) units were purchased and deployed between October 2008 and August 2009 to approximately 320 sites.

50 portable DEC units were purchased and deployed between March 2010 and May 2010.

32 Visual and Audio Recorded Evidence (VARE) units were purchased and are being deployed between September 2009 and June 2010.

31 portable VARE units were purchased and deployed in July 2009.

#### **Office of Public Prosecutions**

The OPP digital AV equipment is installed in the OPP offices at 565 Lonsdale Street. Part of the roll-out incorporated a review of regional services and a staff member is now working throughout Victoria editing evidence on site at regional Court locations.

The mobile editing service, funded from the OPP's annual operating budget, has been a resounding success in saving Court downtime and minimising delays for victims, the accused and witnesses, particularly in cases involving video-recorded Special Hearings (a procedure applicable in cases involving children and cognitively impaired people). The new equipment/software also means that, when necessary, any evidence that requires special attention can be easily transferred to Melbourne for the core team to deal with.

### **Courts**

The replacement of analogue technology with equivalent digital technology covers all Courts in Victoria that treat criminal matters including the Supreme, County, Magistrates' (criminal matters), Coroners and Children's Courts.

### **(d) The factors that determine when audio is used compared to when both audio and video are used**

#### **Victoria Police**

The Crimes Act prohibits the suspect having a different version of the interview than the police (i.e. if police have an audio-visual copy, the suspect is also entitled to an audio-visual copy). Hence, the recording equipment is currently configured to produce 3 audio-visual discs per interview.

The Justice Miscellaneous Amendments Bill 2009 proposed changes to the Crimes Act that would allow a suspect to receive an audio-only copy in the first instance. However, once charged the suspect would be entitled to an audio-visual copy. The amendments would also make it an offence to possess, copy or erase a recording by other than an authorised person or as directed by the court. The supply, offer to supply or broadcasting of a recording will also be an offence.

The aforementioned Bill went before Parliament in November 2009, and commencement was delayed until no later than November 2010. The delay allows for some added amendments that would account for indictable interviews conducted by government agencies other than Victoria Police (e.g. Fisheries Victoria).

Once the legislation has been enacted, the recording equipment will be configured to produce 2 audiovisual discs and 1 audio-only disc.

### **Office of Public Prosecutions**

The OPP deals with either audio or video as is required by the case, with the aim to deliver the evidence to the Court in a compatible, high quality format with the minimum of delay.

### **Courts**

The new Digital Transcription Recording System is able to take in both audio and video signals or audio signals only. Having recorded audio with corresponding court videos of the speakers (Judge, Barrister and Witness) will assist the Court Transcription Officers (CTOs) greatly in their production of written transcripts. Typical courtrooms with video cameras already installed include court rooms in the Melbourne Supreme Court and County Court of Victoria.

In courtrooms where there are no cameras to record the proceedings, the new Digital Transcription Recording System will still record just the audio from the microphones. Should cameras be installed in these courtrooms later, the video signals can then be recorded by the new digital system, as well.

### **(e) The circumstances where people are just being held (e.g. in a holding cell) as distinct from a normal category A or category B police cell**

#### **Victoria Police**

There are no designated ‘holding cells’. A holding room is a secure room, often a secure interview room. A police cell is a gazetted cell, regardless of its category and may be located at an 8, 16 or 24-hour station.

There are many stations with holding rooms, such as new stations like Fawkner or Richmond. People are placed in holding rooms for all the operational reasons where police place somebody under arrest. For example, they have been arrested and are being interviewed; or being held on warrants and awaiting transport to a Category A facility; or on remand and awaiting transport to the court. Police members are encouraged to not leave people unattended in these facilities.

Not applicable to Office of Public Prosecutions or Courts.

### **(f) Costs involved in the roll out**

\$19 million asset funding was allocated for the Evidentiary Audio Visual Recording Equipment replacement project in 2008-09. Victoria Police, the Office of Public Prosecutions and the Victorian Government Recording Service (VGRS) in relation to the recording services in Courts received these funds to implement and maintain the digitisation of their respective audio recording systems. Additional operating funds were provided for additional staff to manage the systems and maintain them.

**Question:** Please supply any further details in relation to the issue of providing sufficient qualified level 3 personnel to staff all of the 43 incident control centres.

*(See Part One of this report, pages M16–17 of the Police and Emergency Services portfolio transcript)*

**Response:** It is not foreseeable that all 43 Incident Control Centres (ICCs) would simultaneously require full Level 3 Incident Management Teams (IMTs) even on the most extreme bushfire day. Therefore, the State does not need qualified (Level 3) personnel to staff all 43 ICCs across the State. Rather, on high-risk fire days, the fire agencies will deploy the available Level 3 IMTs to strategically located ICCs to best effect for the forecast conditions and capability requirements on the day. If required, some of these teams can be mobilised to other ICCs if the location of fires necessitates it.

As of 24 May 2010, there were approximately 76 fully trained and endorsed Level 3 Controllers in the Country Fire Authority (CFA). The CFA are also in the process of conducting a skills gap analysis of the existing Level 3 Controllers before training additional personnel. The overall strategy is to identify any additional skills or knowledge required for these Level 3 Controllers and enable them to be mobile rather than have a greater number of less skilled Level 3 Controllers. The CFA has indicated that the number of fully trained Level 3 Controllers will steadily increase over time.

As of 8 June 2010, the Department of Sustainability and Environment has 27 accredited Level 3 Controllers who are located across the state and can be moved to other locations based on high-risk. There are an additional 62 personnel with considerable experience as Level 2 Controllers, and who are undertaking the Level 3 Controller's program training in 2010.

**Question:** Please confirm how commercial radio has been able to identify callers based on the location of their mobile phones rather than the phones' billing addresses.

*(See Part One of this report, pages M17–18 of the Police and Emergency Services portfolio transcript)*

**Response:** The technology referred to in the question sends messages to known phone numbers of subscribers who have "opted in". Consequently, this technology does not have the required functionality to enable a system such as the Emergency Alert System to send messages to unknown mobile telephones within a designated area.

The Victorian Government, supported by the Commonwealth and other States and Territories, is continuing to investigate the technical and economic feasibility of the Emergency Alert System sending warning messages to unknown mobile phones within a designated area by direct engagement with the mobile telephone carriers. This would be a first for such a system in Australia. A report is due to Council of Australian Governments (COAG) by 31 July 2010, which will provide recommendations about what is possible for the coming fire season including costs, implementation schedule, limitations and risks.

## 2.5.6 Racing

**Question:** How much of the Regional Racing Infrastructure Fund is provided in grants to Racing Victoria, the Australian Jumps Racing Association or Country Racing Victoria to assist the continuation of jumps racing in Victoria, e.g. through advertising, the building of jumps and the refurbishment of grounds and jumps?

*(See Part Two of this report, pages I6–7 of the Racing portfolio transcript)*

**Response:** No grant funding has been provided through the Regional Racing Infrastructure Fund to any body or association in relation to assisting the continuation of jumps racing in Victoria.

## 2.6 Department of Planning and Community Development

### 2.6.1 Aboriginal Affairs

**Question:** Please provide any additional details of support given to members of the stolen generations.

*(See Part Two of this report, pages J6–7 of the Aboriginal Affairs portfolio transcript)*

**Response:** The Victorian Government allocated \$5.1m over four years in the 2005-06 Budget towards the implementation of recommendations of the Bringing them Home report.

The 2009-10 Budget included further funding of \$6.2m over four years for Stolen Generations initiatives. These initiatives are further improving services, supports and advocacy for members of the Stolen Generations.

The 2009-10 Budget funding of \$6.2 million will be used to build on the initiatives to date and to further develop the delivery of service improvements to Stolen Generations members. These services include:

- Improving access to records by Stolen Generations members through the Public Records Office Victoria. The Common Access Guidelines project seeks to implement standard procedures across record-keeping agencies to improve ease of access by members of the Stolen Generations to their personal records. The funds are also being utilised by the Public Records Office Victoria for other projects that support archiving and preservation of Aboriginal records in Victoria.
- Improvements in access and coordination of government-funded services including counselling and family reunion for Stolen Generations members.
- Additional funds have been provided to the Koorie Heritage Trust to employ three staff members for its Koorie Family History Service (KFHS). The KFHS assists members of the Indigenous community and the Stolen Generations to trace family and cultural information.
- Continued education and raising awareness of Stolen Generations issues, including presentations, newsletters and a resource guide for Victorian teachers originally developed by Stolen Generations Victoria. This work is being continued by the new organisation, Connecting Home Ltd.

## 2.6.2 Community Development

**Question:** Please supply an update to Figure 2B ('Summary of CSF revenue and distributions') on page 12 of the Auditor-General's report Management of the Community Support Fund with figures for 2008-09 and 2009-10.

*(See Part Two of this report, page K17 of the Community Development portfolio transcript)*

**Response:** Please find [below] an update to Figure 2B ('Summary of CSF revenue and distributions') which includes figures for the Community Support fund for 2008-09. Data for 2009-10 is not available until the financial year is complete and the data has been reviewed and audited. This review process will commence in August 2010.

### *Summary of CSF revenue and distributions, 2003-04 to 2008-09*

Item	2003-04 (\$m)	2004-05 (\$m)	2005-06 (\$m)	2006-07 (\$m)	2007-08 (\$m)	2008-09 (\$m)
<b>Opening Balance</b>	121.2	99.2	85.2	67.2	52.7	60.3
<b>CSF revenue</b>						
Electronic gaming machines	125.7	131.1	136.0	137.4	141.9	145.9
Interest	6.1	5.7	4.5	3.9	4.8	3.5
Less hypothecation for drug strategy	-25.0	-45.0	-45.0	-45.0	-45.0	-45.0
<b>Total CSF funds</b>	<b>228.0</b>	<b>191.0</b>	<b>180.7</b>	<b>163.5</b>	<b>154.4</b>	<b>164.8</b>
<b>CSF distributions by legislative classification</b>						
Gambling research	1.3		0.9	0.2		26.9
Gambling treatment programs	18.6	9.5	13.6	18.2	20.5	
Drug treatment programs	44.0	0.1	0.1	0.3		
Drug educational programs	3.9					
Families in crisis	1.6	2.0	2.6	1.6		
Programs - youth	0.6	1.7	2.8	3.4	2.9	3.2
Programs - sport & recreation	18.6	33.4	29.0	27.4	20.7	25.8
Programs - arts	3.7	4.7	5.1	7.8	7.7	4.5
Programs - tourism	5.5	2.8	2.3			
Other programs determined by the minister	29.6	49.1	54.8	49.6	40.3	38.4
Administration costs	1.4	2.6	2.3	2.4	2.0	2.2
<b>Total CSF distributed</b>	<b>128.8</b>	<b>105.8</b>	<b>113.5</b>	<b>110.8</b>	<b>94.1</b>	<b>101.0</b>
<b>CSF closing balance</b>	99.2	85.2	67.2	52.7	60.3	63.8
Net drawings from CSF balance	-22.0	-14.0	-18.0	-14.5	7.6	3.5

## 2.6.3 Local Government

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

#### **2.6.4 Planning**

**Question:** How much has the Department of Planning and Community Development spent on external communication consultants in the budget periods 2008-09, 2009-10 and how much will be spent in 2010-11? How much money has been spent or will be spent on communications in general or specific strategies in relation to the Windsor Hotel?

*(See Part Two of this report, page M14 of the Planning portfolio transcript)*

**Response:** I am advised that the Department of Planning and Community Development has not engaged any external communication consultants in the periods 2008-09 and 2009-10. There is no planned expenditure for external communication consultants for 2010-11.

No communication costs were incurred by the Department in relation to the Windsor Hotel.

**Question:** Can you provide further information in regards to the Department's deficit?

*(See Part Two of this report, page M29 of the Planning portfolio transcript)*

**Response:** The Department's deficit is largely brought about by the level of revenue and expenditure from the Community Support Fund (CSF). The CSF has an estimated expenditure level of \$108 million. If revenues received into the CSF are less than \$108 million, this will result in a deficit to the Department. The CSF itself is not in deficit.

In relation to the sustainability of deficits in the Department's financial performance, the deficit is supported by cash balances within the CSF. The CSF will be managed to ensure that once the cash balance is reduced, the revenue and expenditure will be aligned.

#### **2.6.5 Respect Agenda**

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

#### **2.6.6 Senior Victorians**

**Question:** Please provide a table which shows how the \$1,245.3 million for senior Victorians is broken up across the Department of Human Services and the Department of Planning and Community Development.

*(See Part Two of this report, pages O2–3 of the Senior Victorians portfolio transcript)*

**Response:** The Aged Care and Home Care Output Group is managed by the Aged Care Branch, which is now in the Department of Health. The table below was prepared by the Department of Health.

**Senior Victorians 2010-11 Budget by Output**

<b>Department of Health</b>	<b>2010-11 Target (\$m)</b>
<b>Aged &amp; Home Care Output Group</b>	
Residential Aged Care	309.9
Aged Care Assessment	43.5
Aged Support Services	117.1
HACC Primary Health, Community Care & Support	583.6
<b>Small Rural Services Output Group</b>	
Small Rural Services – Aged Care	154.9
Small Rural Services – HACC	29.4
<b>Department of Planning and Community Development</b>	
Strengthening communities and promoting inclusion Output Group	0
Seniors and Veterans (part)	6.9
<b>TOTAL SENIOR VICTORIANS</b>	<b>1,245.3</b>

**Question:** Please provide a reconciliation of the revenue and disbursements for HACC services for the last year and the new year.

*(See Part Two of this report, pages 04–5 of the Senior Victorians portfolio transcript)*

**Response:** [See table below]

Activity	Estimated 2009-10 Payments (\$m) <sup>(a)</sup>	Actual 2009-10 Payments (\$m) <sup>(b)</sup>	Estimated 2010-11 Payments (\$m) <sup>(c)</sup>
HACC – Nursing	95.4	106.7	107.8
HACC – Domestic Assistance (previously Home Care)	72.3	75.1	75.8
HACC – Linkages Packages	40.4	41.6	41.6
HACC – Personal Care	35.5	37.4	38.1
HACC – Allied Health	49.	53.0	54.2
HACC – Respite	21.3	22.1	22.3
HACC – Planned Activity Groups	50.7	52.7	52.9
HACC – Property Maintenance	11.1	11.5	11.6
HACC – Assessment (previously Assessment and Care Management)	31.9	33.3	33.3
Other activities include: <ul style="list-style-type: none"> <li>• Delivered Meals</li> <li>• Flexible Service Response</li> <li>• Volunteer Coordination</li> <li>• Service System Resourcing</li> <li>• Transition Payments</li> </ul>	84.4	86.7	90.4
Estimated growth and Indexation Indirect Charges	29.3	0	36.5
<ul style="list-style-type: none"> <li>• Capital asset charge</li> <li>• Depreciation</li> </ul>	47.5	41.2	48.5
<b>TOTAL</b>	<b>569.3</b>	<b>561.3</b> <sup>(d)</sup>	<b>613.0</b>

(a) Activity payments exclude indexation and growth

(b) Activity payments include indexation and the part year effect of growth

(c) Activity payments include the full year effect of 2009-10 growth but exclude 2010-11 HACC growth and indexation. Commonwealth/State matched growth funds, State unmatched growth funds and indexation cannot be confirmed until after the Commonwealth's funding offer is received (Usually July)

(d) Reduction in total funds is due to Commonwealth and Third Party revenue adjustment and other adjustments (including carryovers, accruals, etc.)

Prepared by: Department of Health

Total figures are as shown in BP3 and aggregate HACC and Small Rural Health Services outputs.

**Question:** Please provide a list of where the 25 additional community registers are.

*(See Part Two of this report, page O6 of the Senior Victorians portfolio transcript)*

**Response:** [See table below]

Register Name	Location
1. Bairnsdale & District Community Register	Bairnsdale
2. Ballarat Community Support & Safety Register	Ballarat
3. Bayside Community Register	Bayside
4. Contact & Care @ Boroondara (Based at City of Boroondara)	Boroondara
5. Brimbank Community Register	Brimbank
6. Campaspe Shire Community Register	Campaspe
7. Corangamite Community Register	Corangamite
8. Olways Community Safety Register	Corangamite
9. Frankston Community Register (at Carrum Downs Police Station)	Frankston
10. Geelong Community Support Register	Geelong
11. City of Hobsons Bay Community Register	Hobsons Bay
12. Hume Community Register	Hume
13. Kingston Community Safer Living Register	Kingston
14. Knox PSA Community Register	Knox
15. Macedon Ranges Community Register	Macedon Ranges
16. Melbourne North Community Register	Melbourne
17. Moonee Valley Community Register	Moonee Valley
18. Bacchus Marsh Seniors & At Risk Register	Moorabool
19. Surfcoast Community Support Register	Surf Coast
20. Moyne Shire Living Confidently Register	Moyne
21. City of Warrnambool Living Confidently Register	Warrnambool
22. Wyndham Community Safety Register	Wyndham
23. Yarra Ranges Police Community Safety Register	Yarra Ranges
24. South Gippsland Shire Community Register	South Gippsland
25. Darebin Community Register	Darebin

### 2.6.7 Sport, Recreation and Youth Affairs

**Question:** Please provide the cash flow timing of the \$2.4 million and the \$5.7 million fundings for the works at the State Sports Centres Trust's facilities.

*(See Part Two of this report, pages P9–10 of the Sport, Recreation and Youth Affairs portfolio transcript)*

**Response:** The \$2.4m for State Sports Centres Trust (SSCT) allocated in this year's budget will all be spent in the 2010-11 financial year.

In regard to the \$5.7m for SSCT allocated in last year's budget:

- \$1.2m of this was in capital, of which \$1.0m was spent in 2009-10 and \$0.2m will be spent in 2010-11 (refer page 344, Appendix A, Budget Paper 3 2009-10).
- The remaining \$4.5m was operating, of which \$1.5m was spent in 2009-10, \$1.5m will be spent in 2010-11 and \$1.5m will be spent in 2011-12 (refer page 338, Appendix A, Budget Paper 3 2009-10)

**Question:** Please provide details of the total expenditure in the community facility grants program for the past two financial years.

*(See Part Two of this report, pages P10–11 of the Sport, Recreation and Youth Affairs portfolio transcript)*

**Response:** The total funds committed for the past two financial years come to \$39,698,595.50. This includes the Community Facilities Funding Program, Country Football and Netball Program, Drought Program, Synthetic Surfaces Program and Strengthening the World Game program. This figure will be different from actual expenditure as that would include funds committed from previous years' allocations, which are expended over more than one year.

**Question:** Please provide details of the website addresses for Getting a Job and the Victorian code of conduct for community sport DVD.

*(See Part Two of this report, pages P11–12 of the Sport, Recreation and Youth Affairs portfolio transcript)*

**Response:** The website for the Victorian Code of Conduct for Community Sport is:  
[www.sport.vic.gov.au/codeofconduct](http://www.sport.vic.gov.au/codeofconduct)

The youthcentral website address is: [www.youthcentral.vic.gov.au](http://www.youthcentral.vic.gov.au)  
This site includes a section entitled Jobs and Careers.

**Question:** With regard to the sustainable sportsground program, please clarify why the funding is just for the next two years and whether or not any broad study was done across the State to quantify the need for funding this program?

*(See Part Two of this report, page P17 of the Sport, Recreation and Youth Affairs portfolio transcript)*

**Response:** In 2007, Sport and Recreation Victoria funded the Municipal Association of Victoria Sports Surfaces Taskforce to undertake a study of the impact of the drought and water restrictions on community sporting facilities in Victoria and to develop strategies to sustain the future of those facilities. The report, *Strategies for Managing Sports Surfaces in a Drier Climate* estimated total annual water use by councils to maintain sports facilities (not including swimming pools) at 11.745 gigalitres. This is 1.24% of all urban water usage and 43% of all water used by councils.

The study estimated a total of 2,000 grass sports grounds in Victoria. Other large sporting water users include the approximately 1,800 clay tennis courts and 540 Lawn Bowls Clubs in Victoria.

The Sustainable Sports Grounds Program will build on the work of the Drought Relief for Community Sport and Recreation Program and the Synthetic Surfaces Program. Requests for funding to those programs in 2009-10 totalled \$4.08m for the Drought Relief for Community Sport and Recreation Program and \$3.62m for the Synthetic Surfaces Program.

Funding over two years will allow both the need and demand for the program and the outcomes of projects funded by the program to continue to be monitored.

### **2.6.8 Veterans' Affairs**

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

## 2.6.9 Women's Affairs

**Question:** Please supply any additional details regarding the number of women from the Victorian Women's Register who have obtained board positions and which boards they have obtained positions on.

*(See Part Two of this report, page Q5 of the Women's Affairs portfolio transcript)*

**Response:** The purpose of the Victorian Women's Register is to alert Victorian women to potential board opportunities and to provide a service to those seeking skilled women appointees. Currently the Register does not track individual women's board appointments.

In April 2010, the Register was upgraded to enable broader access by the community organisations, Non-Government Organisations and the private sector. The Office of Women's Policy will also be conducting an annual survey of women on the register to determine the number of these women who have been appointed to government boards and committees.

## 2.7 Department of Premier and Cabinet

### 2.7.1 Arts

**Question:** In relation to the forecast in attendances, please explain what is driving the reduction in overall attendances and what venues or art disciplines it is occurring in.

*(See Part Two of this report, page R6–7 of the Arts portfolio transcript)*

**Response:** Over recent years Arts Agencies have exceeded their attendance target every year – and those targets are increasing over time.

The following table illustrates this.

Year	2010-11	2009-10	2008-09
Target attendance (millions)	7,770	7,650	7,650 <sup>(b)</sup>
Actual attendance (millions)	n.a.	8,404 <sup>(a)</sup>	8,527

(a) Expected outcome at time of publication of 2010-11 State Budget

(b) From 20019-10 Budget Paper 3

In recent years, agencies have exceeded their attendance targets as a result of a variety of popular exhibitions and performances across the broad range of activities of the institutions.

The following events were particularly popular in recent years:

- *Liquid Desire: Salvador Dali* at the National Gallery of Victoria attracted 330,000 visitors and *A Day in Pompeii* at Museum Victoria attracted 275,000 people (2009 Melbourne Winter Masterpieces)
- *Ron Mueck* (2010) proved to be the National Gallery of Victoria's most attended single artist ticketed exhibition with more than 118,000 visitors
- *Star Wars: Where Science Meets Imagination* (2009) was the most popular exhibition ever held at Scienceworks with 192,000 visitors
- The *John Brack* retrospective (2009) attracted over 98,000 visitors

- The Arts Centre’s AC/DC exhibition *AC/DC Australia’s Family Jewels* (2009) was a hugely popular free and non-ticketed exhibition attracting 226,549 visitors of all ages

### **2.7.2 Multicultural Affairs**

**Question:** Please detail the activities that are to be funded from the vulnerable refugee support package as part of the 2010-11 Budget.

*(See Part One of this report, page N6 of the Multicultural Affairs portfolio transcript)*

**Response:** In the 2008-09 Victorian Budget \$17.7 million was committed over four years towards a Refugee Support Strategy targeting health, justice and education in communities from a refugee background.

This funding expanded the Refugee Health Nurse Program, established the Justice for Refugees program and provided a range of supports to schools, communities and students from a refugee background within the education setting.

In the 2009-10 Victorian Budget \$2 million was committed over two years towards the Refugee Action Program, formerly the Refugee Brokerage Program, which supports communities from a refugee background across Victoria in building their capacity to engage with service providers and the wider community.

In the 2010-11 Victorian Budget \$1.6 million was committed over two years for the Vulnerable Refugee Support Package to provide ongoing strategic support to the growing refugee and asylum seeker communities in Victoria.

The Refugee Action Program will carry on in 2011-12 with \$1 million of this allocation, continuing to reduce the social and economic disadvantage experienced by communities from a refugee background.

The Refugee Action Program empowers communities from a refugee and humanitarian background to:

- More fully participate in and engage with their local communities;
- Access existing services;
- Identify local issues and concerns;
- Plan tailored, community-owned responses; and
- Enhance local capacity and improve settlement outcomes.

The extension of the funding will allow the RAP to continue its support of communities from a refugee background and, where appropriate, to expand to new areas of Victoria.

The remaining \$600,000 of this latest allocation (over 2010-11 and 2011-12) will enable the Refugee Action Program to assist asylum seekers in the Victorian community who face a crisis and / or lack access to essential services.

### **2.7.3 Premier’s**

**Question:** Please outline details of the current performance of the Myki ticketing system.

*(See Part One of this report, page O8 of the Premier’s portfolio transcript)*

**Response:** Myki is operational on metro trains and regional buses, with more than 420,000 cards in circulation and more than 70,000 unique cards in use each week.

According to sample audits undertaken by the Transport Ticketing Authority, the availability of Myki devices including card vending machines and fare payment devices on the metro rail network is consistently high. Card vending machines are a popular means for customers to top up their Myki money and Myki pass.

Work continues on improving the reliability of the Myki system on trams and metro buses for customer use.

**Question:** Please explain any impact that street violence has had on the increase in emergency ambulance demand.

*(See Part One of this report, page O9 of the Premier's portfolio transcript)*

**Response:** Ambulance Victoria (AV) advise that assaults and stabbing/gunshot wounds are the most relevant recorded event types to measure the impact of street violence on emergency ambulance demand.

AV data shows that in 2008-09 assaults and stabbing/gunshot wounds accounted for about 2.5% of the total number of emergency ambulance road cases. AV has projected that this percentage of the total number will decrease over 2009-10 to 2.3% (based on year to 31 May 2010 figures).

Proportion of emergency ambulance road cases involving violence as a proportion of all emergency ambulance road cases	Metro	Rural	Total
2007-08	2.9%	n/a <sup>(a)</sup>	n/a <sup>(a)</sup>
2008-09	2.9%	1.5%	2.5%
2009-10 (based on projected figures <sup>(b)</sup> )	2.7%	1.5%	2.3%

Note:

(a) rural data is not available for the 2007-08 period.

(b) the 2009-10 projections are based on year to 31 May 2010 data.

**Question:** What funding has been provided in the Budget for staff positions for the Liberal Party and The Nationals?

*(See Part One of this report, pages O35-6 of the Premier's portfolio transcript)*

**Response:** Funding has been provided to the Offices of the Leader of the Opposition and the 3<sup>rd</sup> Party to fund the following staffing numbers:

Entity	FTE as at 30 April 2010
Office of the Leader of the Opposition	10.5
Office of the 3 <sup>rd</sup> Party	5.8

**Question:** Please provide comparable figures for staffing of ministerial offices.

*(See Part One of this report, page O36 of the Premier's portfolio transcript)*

**Response:** [See table below]

Entity	FTE as at 30 April 2010
Office of the Premier	47

There are also 18 FTE Ministerial media advisors who are located in the Premier's Office but assigned to ministers.

## 2.8 Department of Primary Industries

### 2.8.1 Agriculture

**Question:** Please provide a copy of the work that has been completed on the mapping of locusts, the estimate of the number of hectares where locusts have laid their eggs and details relating to the amount and availability of the spray that is going to be required.

*(See Part Two of this report, page S7 of the Agriculture portfolio transcript)*

**Response:** The total anticipated area of major locust activity in Victoria (see the attached maps) is 9.6 million hectares (ha) and involves 22 Local Government Areas.

Based on experience with previous severe infestations, approximately 2.4 million ha of this total 9.6 million ha is likely to be affected by locusts and require treatment. Of the 2.4 million ha, 25 percent (or approximately 600,000 ha) is public land and the remaining 75 percent (1.8 million ha) is private land.

The Department of Primary Industries (DPI) and the Australian Plague Locust Commission (APLC) are liaising with major chemical manufacturers and importers to assure the supply of registered chemical products. DPI has sought and obtained access to sufficient quantities of fenitrothion, fipronil and GreenGuard; these three chemicals will be mainly used to treat the estimated 600,000 ha of public land. The government is supporting farmers to treat private land through a chemical rebate scheme, further information is available at:

<http://new.dpi.vic.gov.au/agriculture/pests-diseases-and-weeds/plague-locusts/reported-locusts-map>

**Question:** Please provide an historical perspective of the number of fisheries officers employed by the Department from 2003 to the present date.

*(See Part Two of this report, page S11 of the Agriculture portfolio transcript)*

**Response:** In 2003, there were 73 Fisheries Officers and 9 Fisheries Investigators who operated under a regional management structure and in isolation from one another.

In 2010, an overall Compliance Strategy is in place, with approximately 100 Fisheries Victoria staff involved in delivering the state-wide Compliance program (consisting of an enforcement and education program). This includes 68 uniformed Fisheries Officers positions and an additional 12 Fisheries Investigator and specialist positions dedicated to tackling major fisheries crimes. There is action pending to fill 3 Fisheries Officer positions from this total due to recent staff movements. The remaining 20 Compliance staff are directly involved in the delivery of the education, advocacy, training and intelligence components of the overall Fisheries Compliance program.

DPI has approximately 110 staff in total that are Authorised Officers pursuant to the *Fisheries Act 1995*.

**Question:** Please provide details relating to the expenditure that has been incurred on the wild dog management program.

*(See Part Two of this report, page S13 of the Agriculture portfolio transcript)*

**Response:** For the 2009-2010 financial year, \$3.5 million has been allocated and expended on wild dog control in Victoria.

## 2.8.2 Energy and Resources

**Question:** When were the public informed that new technology for smart meters was to be introduced and that there would be an increase in the cost?

*(See Part Two of this report, pages T7–8 of the Energy and Resources portfolio transcript)*

**Response:** Victoria is committed to the Council of Australian Governments' (COAG) resolution of 10 February 2006 which called for State Governments to commit to a rollout of smart meters. To progress this commitment, the Ministerial Council on Energy established a smart meter working group to administer a national cost benefit analysis. Through this process, and through a collaborative local program, information about the technology, costs and benefits of smart meters have been in the public domain throughout.

In February 2006, based on a collaboratively driven cost-benefit study, the Victorian Government committed to the rollout of Advanced Metering Infrastructure (AMI) to all Victorian electricity household and small business consumers. An amendment to the *Electricity Industry Act (Victoria) 2000* was passed by the Victorian Parliament in August 2006, providing the Government with a legislative heads of power to make Orders in Council establishing a range of requirements for the deployment of AMI.

A steering committee was established with broad stakeholder representation from industry (both Victorian and out-of-State), Government, agencies and consumers, to develop key program parameters. Both the ALP and Opposition took to the 2006 election the mandated roll-out of smart meters.

In September 2007, the Industry Steering Committee recommended minimum AMI functionalities, performance levels and service levels to the Victorian Government, which have subsequently been prescribed through an Order in Council. These smart meter specifications are publicly available.

In mid 2007, a national smart meter cost-benefit analysis was initiated. This analysis, which included a separate analysis for each jurisdiction, confirmed the positive case for the program with net benefits for Victoria estimated at up to \$800 million. This process involved an extensive stakeholder consultation process and public announcements, by the Ministerial Council on Energy. In addition, a Regulatory Impact Statement was published in mid 2008. This cost-benefit analysis was based upon the functionality prescribed in Victoria.

At the end of 2007, the Victorian electricity distributors submitted their proposed budgets for metering services (including the AMI Program) to the Essential Services Commission, based upon the agreed AMI functionalities. Given the transfer in economic regulatory functions from the ESC to the AER at the end of 2007, the distributors resubmitted their budget proposals to the AER in early 2009. In October 2009, the AER made a final determination in regard to these budget proposals. In reaching this determination, the AER undertook an open consultation process.

These approved budgets have informed the review of the costs and benefits of the AMI Program that is currently being finalised.

**Question:** How many instances have occurred within the installation of the 100,000 smart meters to date where safety issues have arisen and remedial works have been required to be paid for by householders?

*(See Part Two of this report, pages T9–10 of the Energy and Resources portfolio transcript)*

**Response:** Electricity distribution businesses report monthly to the Advanced Metering Infrastructure Industry Steering Committee, on safety defects which have been identified. As at 31 May 2010, 168,013 meters had been installed across Victoria and only 0.22 per cent Level 1 safety defects had been identified and, at that time all but two had been resolved.

Level 1 safety defects pose an immediate health and safety risk and must be disconnected from supply as required under the Electricity Safety Act 1998. Examples of a Level 1 defect include bare and exposed terminals and conductors; unterminated active and neutral cables/wires. Identifying and resolving these safety defects is an important positive outcome.

Assistance for approximately 40 cases of unsafe wiring has been provided through the Department of Human Services to vulnerable consumers. Further assistance may be provided by the electricity distribution business.

**Question:** With regard to the Hazelwood power station, please provide details relating to the amount of funding provided for the carbon capture project.

*(See Part Two of this report, page T15 of the Energy and Resources portfolio transcript)*

**Response:** In 2005, the Victorian Government committed funding towards a range of low emissions energy technology initiatives that collectively form part of the Energy Technology Innovation Strategy (ETIS). Key policy objectives for ETIS include:

- To contain greenhouse gas emissions from the supply and use of energy
- To drive improvements in energy efficiency and facilitate investment in sustainable energy sources
- Enabling demonstration of the, most promising low emissions technologies at precommercial scale to support the further development of these technologies

A major element of the 2005 ETIS funding package was a \$30 million grant for a \$369 million coal drying and carbon capture project at Hazelwood Power Station. Note that the Commonwealth Government has committed \$50 million to this project.

The carbon capture plant associated with this project is the largest carbon capture plant for coal fired generation in the Southern Hemisphere.

The coal drying demonstration project is designed to reduce brown coal moisture content from 60 per cent to approximately 12 per cent and significantly reduce the level of greenhouse gas emissions.

The construction and commissioning of the carbon capture plant is complete and was officially opened by the Minister for Energy and Resources on 8 July 2009.

To date, a total of \$2.250 million has been allocated in line with the completion of agreed milestones.

Construction of the coal drying and combustion plant has been delayed due to commissioning problems with the pilot drier in Germany. The State and Commonwealth Governments are working closely with International Power to determine the impact on the delivery of this project. Grant payments for this ETIS project are only made when milestones are achieved in line with the funding agreement.

**Question:** In relation to energy concessions, please explain why the increase of 32,000 households receiving electricity concessions will cost the Government \$1 million less.

*(See Part Two of this report, page T16 of the Energy and Resources portfolio transcript)*

**Response:** This question relates to a Department of Human Services performance measure under the *Concessions to Pensioners and Beneficiaries* output; as such this question should be directed to the Community Services Portfolio.

## 2.9 Department of Sustainability and Environment

### 2.9.1 Environment and Climate Change

**Question:** Please furnish the Committee with the results of the prospective health survey in the Lyndhurst municipality when completed.

*(See Part One of this report, page P6 of the Environment and Climate Change portfolio transcript)*

**Response:** The Environment Protection Authority (EPA) is supporting the Department of Health's (DoH) study into potential health impacts in the Dandenong South area. DoH is currently developing the study methodology in conjunction with a multi-disciplinary expert panel and community input. In response to a local government request and community consultation, the area to be studied has broadened to include the Dandenong South Industrial Area (the Ordish Road Industrial Zone) and the former Melbourne Water Treatment Plant (Greens Road).

The study will make use of available data provided by the Cancer Registry, Birth Registry and EPA. While the method and timelines have not been finalised, it is estimated that the study will take between 6 and 12 months.

**Question:** In terms of the personnel with accreditation in a fire role, what percentage of DSE employees have level 2 or 3 accreditation, enabling them to serve in a senior capacity in a fire role? What are the specific numbers in each level?

*(See Part One of this report, pages P10–17 of the Environment and Climate Change portfolio transcript)*

**Response:** At 1 January 2010, 1125 DSE ongoing or fixed term staff (in addition to 683 Project Fire Fighters) could perform either an accredited or an endorsed fire role. Including all of NEO, there were 3064 personnel available to perform accredited and endorsed fire roles.

To achieve the roles of Incident Controller and Operations Office a formal avenue of accreditation is required. Accreditation is achieved through competency based assessments and can be achieved at any time.

Other roles, such as Planning Officer and Logistics Officer, are performed subject to endorsement by a senior manager, following training and mentoring in the role.

Similarly, the number of employees who have left or retired from DSE/PV or NEO agencies in any time period has an effect on the total.

The following table details the total number of DSE/PV and NEO staff as at 8 June 2010 of 224 Personnel who have formal accreditation to serve in a senior capacity (level 2 or 3) in a fire role.

Incident Controller	Level 2	Level 3	Total
DSE/PV	28	27	55 <sup>(a)</sup>

Operations Officer	Level 2	Level 3	Total
DSE/PV	141	28	169 <sup>(a)</sup>

Note:

- (a) *The Expected Outcome for Personnel accredited to serve in a senior capacity (level 2 or 3) in a fire role in the 2009-10 financial year of 221 is available in the 2010 -11 Budget Paper 3 pp 213. The total exceeds the expected outcome due to additional staff accreditations being achieved.*

**Question:** What budget has been allocated to provide training for DSE employees to increase the number of level 3 accreditations in a fire role in the budget year 2010-11 and annually for the forward estimates to 2013-14?

*(See Part One of this report, page P10 of the Environment and Climate Change portfolio transcript)*

**Response:** In 2010-11, \$193,000 has been allocated to DSE Level 2 personnel to undertake the Level 3 program. The budget is based on operating costs only, and does not include salaries.

A decision regarding the budget allocation for training for the forward estimates period will be made following the release of the Victorian Bushfires Royal Commission Final Report and recommendations.

**Question:** Please provide a reconciliation of funding from the Biodiversity output, the Land and Biodiversity White Paper output initiatives contained in the budget papers and the individual programs going forward.

*(See Part One of this report, pages P11–12 of the Environment and Climate Change portfolio transcript)*

**Response:** *Securing our natural future: A white paper for land and biodiversity at a time of climate change* (the White Paper) is a long-term, strategic framework to secure the health of Victoria's land, water and biodiversity in the face of ongoing pressures and a changing climate.

The White Paper is a whole of government document consisting of 123 actions that are being led or supported by the Department of Sustainability and Environment (DSE) as well as other Victorian Government departments and agencies outside of DSE's portfolio including DPI, DPCD, DEECD, DTF, DPC, DOT, DOJ and VicRoads.

As a result, funding for the implementation of the White Paper is not solely contained within the Biodiversity Output for DSE. Of the White Paper initiatives outlined in

2010-11 Service Delivery Budget Paper No.3, only *Ecosystem Services* (\$1.2 million over 4 years), is attributable to the Biodiversity Output. The initiatives of *Enhancement of Natural Resource Institutions* (\$4.1 million over 4 years) and the *Natural Resources Investment Program* (\$19.3 million over 3 years) contribute to the Natural Resources Output, with *Land Health* (\$14.9 million over 4 years) being delivered by both the Natural Resources Output and Biodiversity Output.

A number of actions contained in the White Paper are the responsibility of agencies other than DSE. For example, Action 6.1.5.3 – *Develop an implement a strategy to capture and retain knowledge on soils and soil management by 2012* and Action 6.3.2 – *Produce complementary regional strategies for Healthy Rivers, Estuaries and Wetlands by 2012* are being delivered by DPI and DPCD respectively.

Whilst not being solely responsible for the implementation of the White Paper, the Biodiversity Output does nonetheless play a significant role in the conservation of Victoria's biodiversity by overseeing a number of major biodiversity programs, including BushTender and the Weeds and Pests on Public Land program.

## 2.9.2 Water

**Question:** Please provide details of any changes to planning and development processes as a result of the VCAT decision in *Alanvale Pty Ltd v Southern Rural Water* on 22 April.

*(See Part One of this report, page Q17 of the Water portfolio transcript)*

**Response:** In 2006, a number of applicants sought groundwater licences totalling approximately 6000 megalitres in the Hawkesdale Groundwater Management Area, north-west of Port Fairy. After a groundwater appraisal was completed, Southern Rural Water (SRW) refused the applications. In considering section 40 of the *Water Act 1989*, SRW took into account land use change impact on water availability, groundwater/surface interaction, impact on existing users and water availability in the future under climate change scenarios.

Alanvale PL (applied for 1220 megalitres) and AJ & KM Graham (applied for 280 megalitres) appealed the decision. Following a lengthy review hearing, VCAT confirmed SRW's decision to apply the precautionary principle, finding that the granting of further new allocations would not be within the overall objective of the *Water Act 1989*. VCAT stated that trading of entitlements, rather than new allocations, would be the preferred method of accessing entitlements in the future. VCAT also suggested a strategic approach to any future allocations as opposed to 'first in, best dressed'. This may result in allocations being auctioned or tendered, or higher value critical needs being given higher priority.

Based on the above, SRW does not anticipate major changes to the requirements of applicants in most cases. Previously, SRW's assessment for groundwater licences has required applicants to undertake hydrogeological assessments, the requirements of which increase as the volume sought increases.

Consequently, for applicants seeking large volumes of groundwater, SRW will also consider the long term impact of the proposed extraction taking into account climate change and potential land use changes in their area.

**Question:** What is the cost of decommissioning the inlet channel into Lake Mokoan and what provision has been made for the well being of the turtles, legless lizards, snakes, native fish and other native species which have called the inlet channel home for many years?

*(See Part One of this report, page Q17 of the Water portfolio transcript)*

**Response:** Goulburn-Murray Water (GMW) is decommissioning the Lake Mokoan inlet channel in accordance with an approved Environmental Management Plan (EMP) at a cost of \$3.25 million. The channel decommissioning works were fully budgeted in the Mokoan-Return to Wetland Program.

The EMP provides a sound basis for managing the environmental impacts of the construction work. GMW's compliance with the EMP is regularly audited internally and by an independent external auditor.

The EMP makes appropriate provision for treatment of any native animals disturbed by the construction works. Freshwater turtles found in the inlet channel were relocated to a suitable habitat established prior to works commencing. No legless lizards, snakes or native fish were found at the site.

Following completion of the construction works, the areas of the former inlet channel allocated to be a public reserve will be revegetated with endemic plants and grasses.

**Question:** The decommissioning of Lake Mokoan has resulted in most of the water from the Broken Valley basin flowing out of the valley for environmental benefit and the benefit of community irrigators down stream. What proportion of the infrastructure maintenance costs have you budgeted on irrigators paying?

*(See Part One of this report, page Q17 of the Water portfolio transcript)*

**Response:** Decommissioning Lake Mokoan enabled irrigators to avoid paying for costly dam safety works that would otherwise have been required. Irrigators were consulted in determining the mix of infrastructure and entitlement purchase to offset any impact of decommissioning Lake Mokoan on reliability of irrigation entitlements. An entitlement purchase program was undertaken to minimise the future cost of infrastructure maintenance.

Goulburn-Murray Water's future tariffs currently are being considered by the Essential Services Commission.

**Question:** I refer to Budget Information Paper No.1 2010-11, p.6, the Northern sewerage project and the total estimated investment of \$650.5 million. (This was also highlighted in last year's budget.) I also refer to a press release by the former Water Minister John Thwaites, who announced the project in 2005 at a cost of \$300 million. How much larger has this project become to cater for the \$350 million increase in the budget?

*(See Part One of this report, page Q17 of the Water portfolio transcript)*

**Response:** The detailed design of the Northern Sewer Project commenced in mid-2004 and was based on a conceptual design that had been developed during an initial planning phase.

In early 2007, after completion of the geological investigation, finalisation of the detail design and preparation and assessment of detailed cost estimates, a business case was prepared for approval by the Victorian Government. The business case was a single combined submission prepared by Yarra Valley Water and Melbourne Water for both

Stages 1 and 2 of the project. The project was approved to proceed at a total cost of \$650.5 million.

The variation in costs between the conceptual design estimates and the final approved business case estimates is due to the following:

- As a result of detail geological investigations, tunnelling conditions were found to be different from that initially expected. This reduced estimated tunnelling production rates and necessitated changes in both the horizontal and vertical alignment of the tunnel from that envisaged in the conceptual design;
- Inclusion of community mitigation costs and noise mitigation initiatives that were not finalised until after the planning permit was issued;
- Inclusion of escalation of costs; and
- Inclusion of contingency and principal risk items.

Stage 1 works are approximately 70 percent complete and currently proceeding six months ahead of schedule and below approved budgets. Stage 2 works are currently proceeding ahead of schedule and below approved budgets. Many of the contingency and risk items have not eventuated and efficiencies have been achieved in the construction activities compared to budget.

**Question:** I refer to Budget Paper No. 3 2010-11, pp.347 and 350, in relation to output and asset initiatives for the Department of Sustainability and Environment. Why is there no new funding for any major stormwater initiatives?

*(See Part One of this report, page Q17 of the Water portfolio transcript)*

**Response:** In 2007, the Victorian Government allocated \$10 million over four years to the Stormwater and Urban Recycling Fund to support the development of local stormwater and urban recycling projects, as well as to reduce drinking water use.

The Stormwater and Urban Recycling Fund is due to be reviewed during 2011. A recommendation as to future funding for stormwater initiatives will be made following this review.

## 2.10 Department of Transport

### 2.10.1 Public Transport

**Question:** Could you please advise the Committee of the total number of fare-paying passengers and non-fare paying passengers on public transport and how these figures relate to figures for the total trips on the public transport system?

*(See Part One of this report, pages R12–13 of the Public Transport portfolio transcript)*

**Response:** The terms ‘fare-paying’ and ‘non-fare paying’ passengers have been taken to mean the number of trips made with and without a valid ticket.

The table below shows annual patronage, annualised estimates of the proportion of trips made without a valid ticket, and estimates of the number of trips made with and without a valid ticket for each metropolitan mode for the 2008-09 financial year.

	Metro Train	Tram	Metro Route Bus	Total Metro (excluding School Bus)
Estimated Patronage 2008-09 (millions of trips)	213.9	178.1	93.9	485.9
Estimated Fare Evasion Rate 2008-09 (%)	7.6	13.0	6.2	9.3
Estimated Trips with a valid ticket 2008-09 (millions)	197.6	155.0	88.1	440.7
Estimated Trips without a valid ticket 2008-09 (millions)	16.3	23.2	5.8	45.2

The Metlink Fare Evasion survey measures the proportion of trips made without a valid ticket on each mode. This includes trips made by:

- passengers travelling with no ticket.
- passengers travelling on a pre-purchased ticket that has not been validated.
- passengers travelling on a concession ticket they are not entitled to (concession fraud).
- passengers travelling on a ticket which is not valid for the trip they are making (e.g. incorrect zone or time period).

The Fare Evasion survey is conducted with the assistance of staff from the operators who are authorised to check passenger tickets and concession entitlements.

The Fare Evasion Rate is not the same as the Validation Rate. They are quite different measures used for different purposes. The Validation Rate Survey estimates the proportion of trips where passengers generate a validation transaction in the ticketing system by validating their tickets. The Validation Rate is used to estimate the total amount of trips being made (patronage), including those where passengers did not validate. The Validation Rate Survey cannot be used to estimate the number of trips made without a valid ticket directly since it seeks to observe 'normal' day to day passenger behaviour with respect to validating their tickets and the surveying is conducted as unobtrusively as possible. It is important to note that not all non-validating passengers are fare evaders – many passengers have a valid ticket that they have chosen not to validate for that particular trip. Conversely, some passengers who actually validate their tickets are in fact fare evaders because they are travelling on a concession ticket that they are not entitled to.

**Question:** Could you please provide the Committee with the total number of staff employed by the Transport Ticketing Authority in 2009-10 and in the coming year 2010-11 and the total salary for those employees?

*(See Part One of this report, page R13 of the Public Transport portfolio transcript)*

**Response:** The 2009-10 financial year has not yet ended and as at 31 May 2010, the total number of staff employed by the Transport Ticketing Authority (TTA) is 149. As at 31 May 2010, these staff have been paid a total of \$11.2 million dollars in salaries so far for the 2009-10 financial year.

As the rollout of the system continues and the system settles in to full operations, the number of staff at the TTA is expected to reduce over the coming year. Hence, it is not possible to accurately quantify how many staff will be employed and at what cost this will be for the 2010-11 financial year.

**Question:** Could you please advise the Committee of the number of Ernst & Young partners and consultants currently working at the Transport Ticketing Authority?

*(See Part One of this report, pages R19–20 of the Public Transport portfolio transcript)*

**Response:** The Transport Ticketing Authority (TTA) has engaged one Ernst & Young partner on a full-time basis, for a period of several months.

As dictated by project needs, the TTA has also engaged ad hoc support and advice from certain Ernst & Young technical specialists, on very specific immediate tasks.

**Question:** Could you please provide the Committee with a breakdown of the 22.6 per cent increase in the Public Transport Services output cost between the 2009-10 budget and 2010-11 budget?

*(See Part One of this report, page R26 of the Public Transport portfolio transcript)*

**Response:** The increase in the Public Transport Services output cost between the 2009-10 budget and 2010-11 budget is 26.2 per cent (\$790 million) as stated in the 2010-11 Budget Paper No.3 on page 223.

The major reasons for the increase are:

	(\$m)
Change to the treatment of fare revenue <sup>(a)</sup>	460
Increases in the capital charge for rail assets reflecting increased levels of investment in rail infrastructure and equipment	109
Additional infrastructure upgrade and maintenance work under the new rail franchise agreements	70
Price escalation for public transport services	50
New and extended bus services	40
New train and tram services and operation of new rolling stock	20
Other (including additional station and customer service staff)	41
<b>TOTAL</b>	<b>790</b>

Note:

(a) Under the new franchise agreement which commenced on 30 November 2009, all fare revenue is received by the State and paid to rail operators. Under the previous franchise agreement, the rail operators received fare revenue directly.

**Question:** Could you please advise the Committee of anticipated travel time for passenger rail services from Wodonga to Melbourne following the completion of the north-east rail corridor upgrade?

*(See Part One of this report, page R27 of the Public Transport portfolio transcript)*

**Response:** The Australian Rail Track Corporation is yet to provide final details of train running times and timetable paths in order to provide accurate train running times for V/Line passenger trains when they return on the Melbourne to Albury line later in 2010.

## 2.10.2 Roads and Ports

**Question:** Please supply a list of plans related to medium and long-term strategies.

*(See Part One of this report, page S4 of the Roads and Ports portfolio transcript)*

**Response:** The Brumby Government is taking action so that Victorians can have the best transport network in Australia.

*The Victorian Transport Plan (VTP)* is an overarching framework that is supported by a number of specific strategies where priorities have been put forward for action.

The VTP is a living document that delivers the generational investment needed for future growth. The VTP will be updated regularly so it remains practical, relevant and achievable to suit transport and land use challenges in Victoria as a result of demographic and economic trends.

Projects outlined in the VTP form the basis of Victoria's short, medium and long term outcomes from which the funding bids for the 2009-10, 2010-11 and subsequent years are developed.

Assessment of infrastructure demand and potential needs is being carried out against future projections relating to the following aspects:

- Public transport patronage growth;
- Transport demand on road and rail networks;
- Future growth of the freight task;
- Population;
- Employment; and
- Economic benefits.

The following strategies complement the medium and long term delivery of the VTP and enable a focus on key areas of transport to meet the demands of our growing state:

- *Melbourne 2030/Melbourne @ 5 million*;
- *arrive alive 2008 - 2017* (road safety);
- *Keeping Melbourne Moving* (road congestion);
- *Freight Futures*;
- *Port Futures*;
- *Accessible Public Transport Action Plan 2006-12*; and
- *Victorian Cycling Strategy*.

In the past year, the following documents have been released to further complement the delivery of the VTP:

- *Shaping Melbourne's Freight Futures* – This paper, released in April 2010, is the Victorian Government's discussion paper for the proposal of a new intermodal approach to moving rapidly growing volumes of port-related freight around Melbourne; and
- *Victoria's Local Roads: critical links in the national supply chain* – This strategy, released in October 2009 was submitted to Infrastructure Australia (IA), in conjunction with Victoria's 2009 Priority Project Submission to Infrastructure Australia to encourage the Commonwealth Government to establish a new funding program that reflects the value of Victoria's local roads to the Australian economy.

### ***A partnership with the Commonwealth***

Victoria has strongly supported the new direction in infrastructure planning and investment taken by the Commonwealth Government over the past two years through the creation of IA and the funding of projects from the Building Australia Fund. As part of this collaboration, a number of the projects listed in the VTP were defined as 'Nation Building Projects' with medium and long term projects associated with IA priorities.

Victoria's 2009 Priority Project Submission to Infrastructure Australia, lodged in October 2009, contained projects that align with IA's goal of building a national infrastructure pipeline with short, medium and long term priorities over 10, 20 and 30 year horizons.

In response to IA's development of a *National Ports Strategy* and *National Freight Network Strategy*, Victoria's 2009 submission to IA had a focus on projects that dramatically reshape Victoria's freight network and build the capacity of Victoria's international gateways.

### ***Further details on the various medium and long term strategies***

The VTP is based on an integrated approach to transport and land use planning. Released in 2002, *Melbourne 2030* provides a long-term plan for Melbourne and the surrounding region.

*Melbourne @ 5 million*, released in December 2008, provides policy initiatives that are complementary to the directions of *Melbourne 2030* and the two documents should be considered together.

The VTP and *Melbourne @ 5 million* bring together future transport and land use decisions to ensure strategic transport investment, improved housing development in both established and growth areas across Melbourne, and supporting regional population growth through significant investment in more transport services that link regional centres to Melbourne and smaller towns to regional cities.

*Arrive alive 2008 – 2017*, launched on 6 February 2008, is the Victorian Government's new 10 year road safety strategy which aims to reduce deaths and serious injuries by 30 per cent and is designed to keep Victoria at the forefront of Australian and international efforts to deliver further major improvements to our road transport system.

In April 2008, the Victorian Government announced a \$112.7 million package of short term initiatives under the *Keeping Melbourne Moving* (KMM) strategy designed to address congestion within 10km of Melbourne CBD, where most traffic is concentrated. The KMM package works in conjunction with medium' and longer term solutions, like major road upgrades and the purchase of new trains and trams.

*Freight Futures*, released with the VTP on 8 December 2008, is the first comprehensive freight strategy developed by any Australian jurisdiction and positions Victoria effectively to meet the challenges associated with economic and population growth while maintaining a good quality of life for all Victorians.

On 28 August 2009, the Government released *Port Futures*, a new strategy to deliver an efficient, integrated and sustainable ports system that fits seamlessly into national transport and freight networks. *Port Futures* was released along with long term strategic land use and development plans for each of Victoria's four commercial trading ports.

The *Accessible Public Transport Action Plan 2006-12*, released in September 2006, lists what is required to maintain progress on relevant issues for accessibility and to meet milestones set out in the *Disability Standards for Accessible Public Transport* (2002). Since the Government's initial commitment of \$129 million to progressively meet the milestones for train, tram and bus infrastructure over four years in the 2006-07 State Budget, an additional \$150 million over 10 years was committed under the VTP.

In March 2009, the Government released the *Victorian Cycling Strategy*, the largest cycling investment in Victorian history, committing \$115 million over the life of the VTP. The strategy aims to improve the cycling network as well as to promote and encourage a cycling culture, by increasing cycling levels across Victoria and position cycling alongside cars, train, trams and buses as a viable and alternative transport option. A progress report card was released in April 2010. Under the *Victorian Cycling Strategy*, initiatives comprise a \$100 million cycling package, \$10 million for cycling rail trails in regional Victoria; and \$5 million for the first ever public bicycle hire scheme in inner Melbourne.

**Question:** Please detail the reasons for the difference between the 2009-10 and 2010-11 funding targets for the Road Safety and Regulation output group.

*(See Part One of this report, page S12 of the Roads and Ports portfolio transcript)*

**Response:** The 2010-11 Budget Paper No.3, shows that Road Safety and Regulation output costs are expected to reduce from a 2009-10 Target of \$177.7 million to \$119.7 million in 2010-11.

The 2009-10 Target included \$34.2 million of one-off funding from the Federal Government under the Nation Building Economic Stimulus Plan to undertake road safety black spot projects. This funding was on top of the annual \$13.6 million provision from the Commonwealth. The additional funding was advised in two Commonwealth announcements – in December 2008 and February 2009. The December announcement provided \$13.7 million to Victoria in 2009-10 and was confirmed in a letter from Commonwealth Minister Albanese to me dated 24 February 2009. The second announcement in February 2009 provided Victoria with a further \$20.5 million in 2009-10.

The 2009-10 target also includes \$66 million for output initiatives funded under the TAC Safer Roads Infrastructure Program (SRIP) which is \$17 million higher than the amount included in the 2010-11 target for this program. Each individual SRIP project is assessed as being an operating or capital expense in accordance with the Australian Accounting Standards. Road treatments such as shoulder sealing, installation of safety barriers, improved delineation and signage, and reconfiguration of intersections are classified as operating expenses. Only operating costs are included in the output cost target. The funding target for the SRIP program in 2010-11 is less than the 2009-10 target as a result of the acceleration of the Program in early years and changes to the operating/capital mix of expenses, but these figures do not represent the total allocation made to road safety projects across Victoria.

In addition, the 2009-10 target included costs associated with the remaking of sun-setting Road Safety Regulations which will not occur in 2010-11.

**Question:** Please provide fatality rates per 100,000 head of population comparing metropolitan with rural and regional areas.

*(See Part One of this report, page S17 of the Roads and Ports portfolio transcript)*

**Response:** In 2009, there were 3.7 fatalities per 100,000 head of population in the metropolitan area and 10.0 fatalities per 100,000 head of population in the country.

This represents a road toll reduction by population of 47.9 percent in metropolitan Melbourne and a 32.4 per cent reduction in country Victoria since the Government's first *arrive alive* road safety strategy was introduced. Over the same period, an estimated 874 lives have been saved on the State's roads, including 182 in regional Victoria.

Having invested \$460 million to deliver 1250 road safety upgrade projects in regional Victoria, the Government remains committed to further reducing the impact of crashes, deaths and injuries on the road in regional communities through our second *arrive alive* strategy.

**Question:** What is the management strategy for burnt trees on the sides of roads in Victoria's Alpine areas?

*(See Part One of this report, page S18 of the Roads and Ports portfolio transcript)*

**Response:** VicRoads is managing the fire killed trees in the following ways:

- Any individual trees that appear to be unstable are assessed by an independent arborist and trimmed or removed, as they come to VicRoads' attention. Under VicRoads' Road Management Plan, regular inspections occur along the alpine access roads.
- For the 2002-03 fire killed trees along the Great Alpine Road, leading up to Mount Hotham, a specialist consultant assessed the trees in April 2007 and concluded that the fire killed trees were essentially stable and did not present an immediate safety risk. However, it was recognised that the stability of the fire killed trees will deteriorate over time and recommended that the trees be reassessed in 2012.
- In April 2010 VicRoads engaged a consultant to develop a strategy for the on-going management of the fire killed tree risks in Alpine Areas. While this study considered the tree risks specifically along the Bogong High Plains Road and the Great Alpine Road, the strategy will be applicable to the management of fire killed tree risks on other Alpine Access Roads. The draft strategy will be available for discussion with key stakeholders (Alpine Resort Management, Parks Victoria, Department of Sustainability and Environment and Alpine Shire Council).
- The consultant provided the draft strategy for the on-going management of fire killed tree risks in Alpine areas to VicRoads on 10 June 2010. VicRoads will be distributing the draft strategy to stakeholders for comment this week, and may also conduct face to face consultation as required. At this stage, it is anticipated that following this consultation period the strategy will then be finalised in late July 2010.

It is also noted that significant numbers of fire killed trees are located outside the arterial road reserve boundaries, and that these trees up to 40 metres from the road may eventually present a safety risk.

A joint department approach will be required to manage this future risk to road users. VicRoads has initiated discussions with Parks Victoria and Department of Sustainability and Environment staff concerning the future management of these fire killed trees.

## **2.11 Department of Treasury and Finance**

### **2.11.1 Finance, WorkCover and Transport Accident Commission**

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

#### **2.11.2 Treasury**

**Question:** Please provide the Committee with a reconciliation between the headline infrastructure spending figure for 2010-11 of \$9.5 billion with the \$8.42 billion ‘infrastructure investment by TEI – summary’ as contained in Budget Information Paper 1, page 17, including the extra Commonwealth pass-throughs to such areas as non-government schools and housing associations.

*(See Part One of this report, pages U8–9 of the Treasury portfolio transcript)*

**Response:** [See table below]

Reconciliation Table	2010-11 (\$m)
<b>Headline infrastructure spending figure<sup>(a)</sup></b>	<b>9,522</b>
<i>less Fiscal stimulus – non-government schools and social housing associations pass-through amounts for capital purposes<sup>(b)</sup></i>	-775
<b>Investments in non-financial assets (net)<sup>(c)</sup></b>	<b>8,747</b>
<i>add back sales of non-financial assets<sup>(c)</sup></i>	368
<b>Purchases of non-financial assets by the non-financial public sector<sup>(c)</sup></b>	<b>9,115</b>
<i>less minor projects and non-project capital spending<sup>(d)</sup></i>	-692
<b>Infrastructure investment by TEI – Summary<sup>(e)</sup></b>	<b>8,423</b>

## Notes:

- (a) 2010-11 Treasurers Speech, Budget Paper No 1 (BIP1) page 3. “... invests \$9.5 billion in 2010-11 ... “
- (b) Specific purpose grants from the Commonwealth included under Nation Building - Economic Stimulus Plan in Budget Paper No 4 (BP4), page 220:
- Nation Building and Jobs Plan \$574 million of which \$318 million is estimated to be paid to social housing associations in 2010-11; and,
  - Building the Education Revolution - non-government schools \$457 million.
- (c) BP4 Table 2.6 Non-financial public sector cash flow statement net infrastructure investment adjusted for the impact of asset sales. Projects included in BIP1 are gross expenditure. The consolidated non financial public sector is the combined general government sector and the public non financial corporations sector.
- (d) The scope of BIP1, as outlined on page 1 of that document, includes major investment projects in the general government and the public non financial corporations sectors but does not include:
- General government sector projects with a total estimated investment (TEI) of less than \$250,000, or projects with a planned capital expenditure in 2010-11 of less than \$75,000;
  - General government sector projects which are capital grants to other sectors;
  - Public non financial corporations sector projects that have a planned capital expenditure in 2010-11 of less than \$150,000.
- The above exemptions from the scope of BIP1 include minor capital works in both sectors which are not classified as TEI projects.
- (e) Total of all projects for 2010-11 as shown in Table 1.2 at page 17 in BIP1-2010-11 Public Sector Asset Investment Program.

**Question:** In relation to the desalination plant, please reconcile for the Committee, the finance lease (per Budget Information Paper 1, page 6) of \$4.203 billion with the published capital cost of \$3.5 billion in the project summary.

*(See Part One of this report, pages U21–4 of the Treasury portfolio transcript)*

**Response:** The Net Present Cost (NPC) of the Victorian Desalination Project (as at June 2009) is \$5.72 billion (14% below the Public Sector Comparator). This amount includes design and construction costs, asset replacement, and all maintenance and operating costs over the 30 year contract (assuming an annual water output of 150 gegalitres per annum during the operating period). Payments to AquaSure will be subject to abatement where performance standards, either in terms of quality of service or quantity of water delivered, are not achieved.

The construction cost as bid by AquaSure is approximately \$3.5 billion.

Under current accounting standards, availability based PPPs are treated as finance lease arrangements. The value of the finance lease liability that the State will recognise upon successful commissioning at the end of 2011 will be \$4.2 billion. This value includes the construction cost as well as certain financing and other costs incurred by

the private sector contractor to deliver the Project, but exclude the State's delivery costs, and finance, operating and maintenance costs over the operating phase of the Project contract.

	Construction Cost (Nominal – \$ billion) <sup>(a)</sup>	Finance Lease (Nominal – \$ billion) <sup>(b)</sup>	Total Project Cost (NPC – \$ billion) <sup>(c)</sup>
Desalination Project	3.5	Construction	3.3
		Professional fees	0.2
		Debt funding costs	0.5
		Equity funding costs	0.2
		Total	4.2
			5.7

**Notes:**

- (a) This is the cost to the private sector of constructing the project assets (including the high voltage alternating current (HVAC) transmission line).
- (b) The Finance Lease amount consists of the construction cost plus other direct costs incurred by the private sector in constructing the assets as assessed according to accounting standards for such a lease arrangement (specifically, capitalised funding costs and professional fees). Note that the construction cost amount used in constructing the finance lease does not include the HVAC facility (hence why the construction cost is \$3.3 billion as opposed to \$3.5 billion) because the State will purchase the HVAC assets separately after construction.
- (c) The total project cost is in net present cost terms as at 30 June 2009 and reflects all costs associated with constructing and operating the project (construction, finance, operating, maintenance and lifecycle costs) over the project term (approx 30 years).

**Question:** Why has the value of biological assets been revised downwards from \$51.2 million in last year's budget to \$31.4 million and the trajectory of estimates for future years dropped from \$76.4 million to \$46.7 million in 2013-14? Further, what proportion of biological assets is comprised of agriculture, commercial plantations and forests?

*(See Part One of this report, page U27 of the Treasury portfolio transcript)*

**Response:** The values of biological assets for the years 2010 (revised) to 2014 (estimate) in the Estimated Financial Statements, Note 18 of Budget Paper No 4 Chapter 1, are based on the audited balances for 2008-09 which are included in the Financial Report for the State of Victoria 2008-09 for the general government sector at \$27 million as shown in Note 23 of Chapter 4, and carried forward as the opening balance for 2009-10 revised. Estimated balances for subsequent years are based on expected transactions and a revised revaluation model, with figures provided by various departments.

The original 2009-10 budget estimate of \$51.2 million was estimated using 2007-08 audited figures as the opening balances and subsequently revised in the 2009-10 Budget Update to \$35.4 million, based on actual figures for 2008-09, adjusted for lower revaluation increments.

At the time of the 2009-10 Budget, it was assumed that the part of the stock of biological assets were to be reassessed and re-valued on an annual basis. However, at that time of the 2009-10 Budget Update, the asset valuation model was also revised, resulting in lower estimated balances in future years. The decline therefore represents the biological assets that were assumed to be re-valued (upwards) each year but where this is no longer the case. Such revaluations are included in 'other economic flows' on the comprehensive operating statement and therefore do not impact on the net result from transactions.

The data regarding the sub-categories of biological assets including agriculture and commercial plantations/forests is not disaggregated in the general government chart of accounts but is fed through to the Department of Treasury and Finance’s Business Management System as a single category by the various government departments which hold such assets. Information subsequently provided by the individual departments who report biological assets indicate that the estimated percentage split is of the order as shown in the table below.

	2009-10 Revised	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
Commercial plantations	66%	57%	50%	44%	44%
Agriculture	34%	43%	50%	56%	56%
<b>Total biological assets</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Question:** What is the number of Victorian businesses that have a wages bill between \$550,000 and \$1 million per annum? How much payroll tax do those businesses pay per annum?

*(See Part One of this report, pages U28–9 of the Treasury portfolio transcript)*

**Response:** There are approximately 7,000 grouped businesses with payroll values of between \$550,000 and \$1 million.

These businesses pay payroll tax of up to \$22,050 per annum.

*Source:* State Revenue Office payroll tax data 2008-09.

*Note:* All calculations are based on a payroll tax rate of 4.90%.

**Question:** Please provide the Committee with an explanation of the differences in superannuation assumptions between the four statutory schemes mentioned on page 42 of Budget Paper No. 4.

*(See Part One of this report, pages U29–30 of the Treasury portfolio transcript)*

**Response:** The superannuation assumptions that appear of page 42 of Budget Paper No 4 (BP4) differ by scheme for the following reasons:

- The expected return on assets is based upon each scheme’s investment strategy and asset allocation. This differs for the Health Super Fund Defined Benefit Scheme as they adopt a more conservative investment strategy whereby a lower proportion of assets are invested in growth based sectors (e.g. equities and property).
- Please note that there is no expected return on assets assumption for the Constitutionally Protected Schemes as no separate pool of assets is maintained and pension payments are met from the Consolidated Fund as they arise.
- The inflation assumption reflects the rate at which pension payments are indexed over time. For Constitutionally Protected Schemes and the Parliamentary Contributory Superannuation Fund, pensions are indexed in ‘line with wage growth, hence the inflation rate is the same as the wage growth assumption. For the remaining schemes, pensions are indexed in line with price inflation which was assumed to be 2.8 per cent per annum at the time the 2010-11 Budget estimates were prepared.
- Note (e) on page 42 of BP4 provides more information regarding the basis for the price inflation assumption.

## 2.12 Parliamentary Departments

### 2.12.1 Parliamentary Departments

**Question:** Please confirm the estimated cost of stages 3 and 4 of the Heritage Asset Management Strategy.

*(See Part One of this report, page V5 of the Parliamentary Departments portfolio transcript)*

**Response:** Estimated cost of Stages 3 & 4 of HAMS (to be completed by Sept 2011) is \$8.25 million.

**Question:** Please advise the Committee of the expected asset funding carryover to 2010-11.

*(See Part One of this report, page V6 of the Parliamentary Departments portfolio transcript)*

**Response:** In 2009-10 Parliament did not receive any Asset funding. Both Heritage Asset Management Strategy and Parliament's Broadcasting project were carried out in 2009-10 using Parliament's prior year depreciation surplus. \$300,000 is estimated to be carried over for the Broadcasting to 2010-11.

**Question:** What is the estimated revenue from the sale of parliamentary souvenirs over the estimates period?

*(See Part One of this report, page V8 of the Parliamentary Departments portfolio transcript)*

**Response:** Revenue from souvenirs for the 2009-10 financial years will be approximately \$7,000. This revenue is generated from a show case outside of session cafe and sold to predominantly internal customers as there is no visibility for visitors to purchase. Similar amount of revenue can be estimated for 2010-11.

**Question:** Please advise the Committee of any employment arrangements for Mr Sel Sanli.

*(See Part One of this report, page VII of the Parliamentary Departments portfolio transcript)*

**Response:** Mr Sanli was employed as an electorate officer from 5 May 2003 and resigned on 15 September 2009. Mr Sanli's separation was subject to a confidential deed of release arising from the implementation of the Local Government (Conflicting Duties) Bill.

**Question:** Please advise the Committee of the Parliamentary Departments' views of introducing a system of performance bonuses for executives in the Parliamentary Departments.

*(See Part One of this report, page VI3 of the Parliamentary Departments portfolio transcript)*

**Response:** Executive Officers employed by Parliament are not employed on the basis of public service executive contracts and are unable to access performance related payments received by other public sector Executives. It has been accepted by the Parliamentary Executive Group that the obligations for impartiality would create difficulty for the objective measurement of performance.

**APPENDIX 3: THE GOVERNMENT'S RESPONSE TO THE  
COMMITTEE'S REPORT ON THE 2009-10  
BUDGET ESTIMATES — PART TWO**



<b>Government Responses to the Recommendations of PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE'S 88<sup>th</sup> Report on the 2009-10 Budget Estimates — Part Two</b>			
Pursuant to Section 36 of the Parliamentary Committees Act 2003, this paper provides a response to the recommendations contained in the Public Accounts and Estimates Committee's (PAEC) 88 <sup>th</sup> Report.			
<b>Guide for Readers:</b> Following is the explanation of the format of this paper.			
1	2	3	4
Title	Response	Action Taken to Date	Further Action Planned
2	Department		
1	2	3	4
PAEC Recommendation	Response	Action Taken to Date	Further Action Planned
Row 1:	Indicates the title of this paper.		
Row 2:	Indicates the number and topic of the response to the PAEC recommendations.		
Column 1:	Contains the PAEC's recommendations as published in its 88 <sup>th</sup> Report.		
Column 2:	Indicates the Government's response to each recommendation ( <b>Accept, Accept in part/principle, Under Review or Reject</b> ).		
Column 3:	Indicates those actions relevant to the implementation of the recommendation that have been taken to date.		
Column 4:	Indicates the additional actions planned that are relevant to implementation of the recommendation, together with an explanation of the Government's position concerning the recommendation.		

**Note:** The recommendations made by PAEC concerning the Victorian Auditor-General's Office relate to issues that are operational in nature. As the Victorian Auditor-General's Office is an independent government entity, the Government has made a broad comment on these recommendations and considers that a direct response should be issued by the Victorian Auditor-General's Office independent to the Government Response.

<b>Recommendation 1 (Page 50)</b>		
<p>The government draw on its transitional work underway in preparing for the accountability obligations under the Commonwealth's new funding framework to formulate a state-wide outcomes-based performance management and reporting system.</p>	<p><b>Accept in Principle</b></p>	<p>One of the primary objectives of the Public Finance and Accountability Bill (PFAB) – introduced to Parliament in December 2009 – is to make outcomes and associated outputs the basis for the whole of the cycle of planning, resource allocation, resource management and reporting.</p> <p>This approach will bring the State's performance management and reporting framework into closer alignment with the 2008 Council of Australian Governments (COAG) Intergovernmental Agreement on Federal Financial Arrangements.</p>
<p>The frameworks that will be implemented to support PFAB include an outcomes-focused performance management framework.</p> <p>Implementation of the proposed frameworks will take account of the COAG arrangements and, where appropriate, adopt COAG performance information.</p>		
<b>Recommendation 2 (Page 50)</b>		
<p>Performance reporting to the Victorian Parliament by all public sector agencies for both state and Commonwealth funded programs and services be based on uniform outcomes-focused reporting principles.</p>	<p><b>Accept in Principle</b></p>	<p>One of the primary objectives of the Public Finance and Accountability Bill (PFAB) is to make outcomes and associated outputs the basis for the whole of the cycle of planning, resource allocation, resource management and reporting.</p> <p>PFAB will require departments and public bodies "to support the achievement of outcomes by ensuring that outputs are delivered in an efficient and economical manner and obligations are met in a timely manner".</p> <p>It also sets out a number of planning and reporting principles, including that:</p> <p>(a) reporting be:</p> <ul style="list-style-type: none"> <li>• clear and accurate;</li> <li>• consistent with the relevant planning documents;</li> <li>• prepared at a time and in a manner which is useful to the intended audience, and</li> </ul> <p>(b) Government planning, budgeting and accountability processes:</p> <ul style="list-style-type: none"> <li>• focus on the achievement of stated outcomes;</li> <li>• clearly identify the outputs and investments that need to be delivered to achieve stated outcomes;</li> <li>• establish a means for measuring achievement of stated outcomes.</li> </ul>
<p>Specific planning and reporting requirements based on a differential framework (fit for purpose requirements for different categories of entity) will be developed during PFAB implementation.</p>		

<p><b>Recommendation 3 (Page 50)</b></p>	<p>The government present to Parliament an annual consolidated report identifying Victoria's performance against objectives, outcomes, output targets and milestones established under the Commonwealth's federal financial framework.</p>	<p><b>Reject</b></p>	<p>The new federal financial framework, contained in the Intergovernmental Agreement on Federal Financial Relations, governs important financial relationships between the Commonwealth and the States and Territories. Accountability is provided through the COAG Reform Council (CRC) public performance reporting program. They assess jurisdictions' performance against agreed indicators found in the National Agreements (NAs) and the National Partnerships (NPs), insofar as they relate to National Agreements. The CRC has commenced the reporting process, with baseline reports on achievement against the National Agreements for Education and Skills and Workforce Development released publicly by the CRC on 5 November 2009. The second phase of the annual reporting cycle has recently begun. Moreover, a key principle underpinning the FFR Framework is the promotion of a reduction in reporting burden and duplicative reporting requirements that would not necessarily create a greater level accountability.</p>	<p>The Public Finance and Accountability Bill aims to increase government accountability to the Parliament by making outcomes and associated outputs the basis for the whole of the cycle of planning, resource allocation, resource management and reporting. It is envisaged that the resultant consolidated reporting will cater for accountability requirements, such as those associated with Commonwealth funding under the federal financial relations arrangements. The Department of Treasury and Finance will continue to review opportunities for government to transparently report on the outcome of COAG Reforms.</p>
<p><b>Recommendation 4 (Page 58)</b></p>	<p>Where the Budget Papers disclose for new asset funding, Total Estimated Investments that include projects to be delivered through the public non-financial corporations sector on behalf of government, the Department of Treasury and Finance separate out this component from that of the General Government Sector.</p>	<p><b>Accept in Principle</b></p>	<p>The <i>Public Sector Asset Investment Program – Budget Information Number 1</i> (BIP 1) outlines major asset investment in the financial year for the general government sector and public non-financial corporations, as well as Partnerships Victoria projects. BIP 1 is part of the suite of Budget Papers and DTF is working to bring the release of BIP 1 closer to that of the other Budget Papers to facilitate review against these documents. BIP 1 provides a highly comprehensive and detailed listing of public sector asset investments that will either increase service delivery capacity or sustain the existing service capacity of assets. The information provided in BIP 1 has been enhanced to provide details of existing and new projects delivered through the public non-financial corporations (PNFC) sector; the 2009-10 publication lists projects with a total estimated investment (TEI) of \$1 million or more individually against each PNFC undertaking asset investment.</p>	<p>DTF is working to bring forward the release date for BIP1 to be closer to that of the other Budget Papers. DTF will also review the format of TEI disclosures as part of its review of budget paper structure and content for the 2010-11 Budget and future Budgets under the Public Finance and Accountability Bill to determine how the provision of funding for new projects delivered through PNFCs can be clarified.</p>

<p><b>Recommendation 5 (Page 61)</b></p> <p>The Department of Education and Early Childhood Development reports on the changes it has made to the asset investment assessment process (e.g. under the Building Futures program) and the criteria used for selecting infrastructure projects.</p>	<p><b>Accept</b></p>	<p>The Building Futures process explicitly links infrastructure investment decisions to educational outcomes. Changes to the Building Futures process to ensure more effective asset allocation include:</p> <p>identification through the Department of Education and Early Childhood Development (DEECD) regional offices of priority capital projects based on projected demographic changes, building quality, over entitlement space and local education provision plans;</p> <ul style="list-style-type: none"> <li>• aggregation and prioritisation of capital projects at the statewide level based on building quality and over entitlement space; and</li> <li>• assessment of projects through the Building Futures' gateways to ensure schools' capital works projects are aligned with their strategic plans to raise student achievement.</li> </ul>	<p>Continued refinement of the Building Futures process to ensure that the community, the Department and schools are all satisfied students and communities are getting the best possible outcomes.</p>
<p><b>Recommendation 6 (Page 69)</b></p> <p>The Government ensure that public sector agencies keep Parliament and the community informed of progress made on asset investment projects through their annual reports in terms of:</p> <ul style="list-style-type: none"> <li>(a) progress towards project completion; and</li> <li>(b) outcomes delivered against departmental and government objectives.</li> </ul>	<p><b>Accept in Principle</b></p>	<p>The annual <i>Public Sector Asset Investment Program</i> — <i>Budget Information Paper No. 1</i> (BIP 1) is compiled in association with the annual budget papers to inform Parliament and the community about Victoria's asset investment program.</p> <p>To assist entities in making appropriate disclosures in their Annual Reports, the Department of Treasury and Finance (DTF) has provided best practice guidance through Financial Reporting Directions (FRDs) and the annual Model Financial Report for Victorian Government Departments (available from the DTF website: <a href="http://www.dtf.vic.gov.au">www.dtf.vic.gov.au</a>). This material is revised regularly to ensure that departments and entities continue to meet modern financial reporting requirements.</p> <p>If a particular department or entity wishes to make additional disclosures which go beyond the requirements of the Financial Reporting Directions or the Model Financial Report for Victorian Government Departments they are encouraged to do so, particularly where such disclosures are of relevance and add value to users of their annual report.</p>	<p>It is recognised that annual reports often only provide information on how much has been spent on a project, and that there may be other measures which could be meaningful to keep Parliament and the community informed about the progress of infrastructure projects.</p> <p>The Public Finance and Accountability Bill, which was introduced into Parliament in 2009, has a focus on outcomes-based reporting, and in the context of the bill's implementation, DTF will consider what additional information on the reporting on the outcomes and progress of asset investment projects would provide an increased level of transparency to Parliament and the wider community.</p>

<b>Recommendation 7 (Page 77)</b>			
<p><b>With the advent of a new framework for federal financial arrangements with the states and territories involving a range of National Agreements for Specific Purpose Payments and National Partnerships, the Department of Treasury and Finance expand the Economic Reform Agenda chapter in the Budget Papers by disclosing an abridged version of performance data that summarises how Victoria has progressed against agreed objectives, outcomes and outputs where funding has been provided by the Commonwealth Government.</b></p>	<p><b>Reject</b></p>	<p>Accountability under the new federal financial framework is provided through the Council of Australian Governments (COAG) Reform Council (CRC) public performance reporting program. The program assesses jurisdictions' performance against agreed indicators of progress toward objectives, outcomes and outputs as found in the National Agreements (NAs) and the National Partnerships (NPs), insofar as they relate to National Agreements. Moreover, a key principle underpinning the FFR Framework is the promotion of a reduction in reporting burden and duplicative reporting requirements that would not necessarily create a greater level accountability.</p>	<p>The Department of Treasury and Finance will continue to provide input into the COAG Reform Council process to maintain and improve transparency on progress towards the outcomes of COAG Reforms. Information is accessible through the COAG CRC website: <a href="http://www.coag.gov.au/crc">www.coag.gov.au/crc</a></p>
<b>Recommendation 8 (Page 77)</b>			
<p><b>Departments disclose in their annual reports a breakdown of savings and efficiencies achieved, while disclosure in the Budget Papers be expanded to include savings estimates for departments.</b></p>	<p><b>Accept in Part</b></p>	<p>a) Reject – Agency annual reports represent strategic accountability documents that facilitate user assessments of agencies' performance relative to their operational and financial objectives. These documents provide summary level information consistent with the generally accepted principles of general purpose reporting. The financial management and accountability framework for government departments focuses on the delivery of outputs and outcomes within agreed output prices, rather than management of inputs. The introduction of additional annual reporting requirements focused on tracking internal management of input costs is not central to external accountability and is not supported.</p> <p>b) Accept – Government efficiency initiatives are reported in total and against each department within Budget Paper 3 and the Budget Update as necessary.</p>	<p>No further action planned.</p>

<p><b>Recommendation 9 (Page 77)</b></p> <p>Departments include in their annual reports, performance information aligned to any performance indicators established at the federal level that relate to productivity improvement.</p>	<p><b>Under Review</b></p>	<p>The Council of Australian Governments (COAG) Reform Council's (CRC's) role is to report to COAG annually on performance against agreed objectives, outcomes and outputs.</p> <p>Productivity improvement is central to the COAG agenda and the competition, regulation and human capital agendas, which seek to drive productivity gains, cut across a diverse range of portfolios. Progress on specific programs and activities supported through National Agreements and National Partnerships will form part of the CRC report. The associated indicators will provide analysis of progress toward productivity improvements through these specific, indirect and underlying indicators.</p> <p>Departments are encouraged within the <i>Model Financial Report for Victorian Government Departments 2009</i> to disclose any examples of productivity gains achieved. The Government and public sector agencies are committed to the continued production of high quality performance information that is relevant, appropriate and reliable.</p>	<p>The Department of Treasury and Finance will examine the need to integrate or replicate any agreed productivity related indicators within Departmental Annual Reports.</p>
<p><b>Recommendation 10 (Page 82)</b></p> <p>The Department of Treasury and Finance review the accountability measures outlined in the National Partnership Agreements and the National view to updating the performance measures and targets contained in the Victorian Budget Papers where appropriate.</p>	<p><b>Accept in Principle</b></p>	<p>The independent Council of Australian Governments (COAG) Reform Council (CRC) will provide annual reports to COAG containing the performance data to assist the public in assessing governments' progress against agreed objectives outcomes and outputs. The CRC will also report its own comparative analysis of the performance of governments in meeting the objectives of the National Agreements.</p> <p>Further, COAG has asked Heads of Treasuries to undertake a review of National Agreements, National Partnerships and Implementation Plans, reporting through the FFR Ministerial Council to COAG by 31 December 2010. This review will include an assessment of the quantity and quality of performance indicators and benchmarks, and aims to ensure that performance reporting contributes to public transparency.</p>	<p>Following the Heads of Treasury review, the Department of Treasury and Finance will examine opportunities to continue to ensure transparency in the reporting of the outcomes of COAG reform.</p>

<b>Recommendation 11 (Page 85)</b>			
<p><b>In terms of clarifying the appropriate role of state and territories' Auditors-General for enhancing state accountability under the new federal financial framework, the Victorian Government initiate discussions with COAG on what role, if any, they should have.</b></p>	<p><b>Reject</b></p>	<p>The new federal financial framework, contained in the Intergovernmental Agreement on Federal Financial Relations (Agreement), governs important financial relationships between the Commonwealth and the States and Territories. Public accountability of State and Territory spending under the Agreement is provided through two mechanisms. First, the Council of Australian Governments (COAG) Reform Council is responsible for reporting publicly on policy outcomes according to the performance indicators found in the National Agreements (NAs) and the National Partnerships (NPs), insofar as they relate to National Agreements. Secondly, State and Territory expenditure under the Agreement is subject to the usual scrutiny of Auditors-General in each jurisdiction. The Agreement does not change the relationship between the Commonwealth and the States in a way such as to diminish the role of Auditors-General. Accordingly, there is no need for COAG to consider the role of Auditors-General specifically in the context of the Agreement.</p>	<p>No further work planned.</p>

<p><b>Recommendation 12 (Page 89)</b></p>	<p><b>Departments consider adopting best practices in productivity improved by the Department of Justice.</b></p>	<p><b>Accept in Principle</b></p>	<p>When coordinating the Government's response to future Public Accounts and Estimates Committee (PAEC) reports on Financial Performance and Outcomes, the Department of Treasury and Finance (DTF) will provide departments with an example (e.g. the Department of Justice [DOJ] example in the further actions column) of a more 'macro' and measurable response with clear and measurable examples.</p> <p>DTF has concerns however, that the example may not translate effectively to other departments due to differences in business or service delivery model. DTF supports an outcomes and efficiency focus, but notes that specific initiatives may not necessarily translate to productivity improvements.</p>	<p>DTF will provide departments with the DOJ example (below) when departments are required to report to PAEC on Financial Performance and Outcomes:</p> <p><i>"The department's key achievements in 2006-07 included a drop in reported incidents and standard claims. The average cost of a claim also fell from \$39,461 in 2005-06 to \$33,692 in 2006-07. The focus on good injury management, effective early intervention strategies and factors such as stress in the workplace, achieved positive outcomes, reducing the cost to the department in terms of time and actual cost of total claims. The figures as of 30 June 2007 are:</i></p>	<table border="1"> <thead> <tr> <th>Year</th> <th>No. of standard claims</th> <th>No. of lost time claims</th> </tr> </thead> <tbody> <tr> <td>2005-06</td> <td>138</td> <td>63</td> </tr> <tr> <td>2006-07</td> <td>120</td> <td>44</td> </tr> </tbody> </table>	Year	No. of standard claims	No. of lost time claims	2005-06	138	63	2006-07	120	44
Year	No. of standard claims	No. of lost time claims												
2005-06	138	63												
2006-07	120	44												

<p><b>Recommendation 13 (Page 101)</b></p>	<p><b>The Department of Treasury and Finance supplement the disclosure of revenue items in the Budget Papers by including:</b></p> <p>(a) an analysis of total revenue per capita for Victoria compared to the other states and territories;</p> <p>(b) a pie chart showing the composition of Victoria's revenue base;</p> <p>(c) the actual budget for the previous year and actual revenue raisings for the most recent completed year; and</p> <p>(d) explanations for a greater number of material variances between items disclosed in the Forward Estimates.</p>	<p>Accept in Principle</p>	<p>(a) Accept in Principle – The Government's preferred measure of tax competitiveness is taxation revenue to Gross State Product (GSP) as it compares the level of each state's taxation to their economic capacity. A supplementary measure used is taxation plus royalty revenue as a share of GSP as it shows an important potential influence on Victorian tax competitiveness; namely, this State's lack of royalty revenue compared to other states. Charts comparing Victoria's performance with other states with respect to both measures are presented in the Economic and Fiscal Strategies and Objectives chapter of Budget Paper No. 2. Following the release of each budget, the Department reviews the scope for including additional information in the following year's budget papers. As part of this review, the Department will examine the feasibility of including a table showing revenue per capita and other variables (similar to Table 5.3 in New South Wales [NSW] BP2) for each jurisdiction in the 2010-11 budget papers.</p> <p>(b) Under Review – The Budget Papers already show the composition of Victoria's revenue base. For example, the Estimated Financial Statements (Table 1.1) and the State Revenue chapter (Table 4.1) in BP4 provide the data underpinning the Public Accounts and Estimates Committee's (PAEC's) proposed pie chart. In the past (e.g. the 2007-08 Budget Paper No.2, Chart 3.2) a pie chart has been included. The presentation of data can change from year to year depending on stakeholder feedback about content and space limitations (often addressed by reducing duplication such as having a table and chart that show the same data).</p> <p>(c) Under Review – The actual budget for the previous year was presented in the 2009-10 Budget Papers (BP4, Appendix C, Revised 2008-09 Budget Outcome).</p> <p>Actual revenue for the previous year is currently available in the annual Financial Report (the most recent being 2008-09).</p>	<p>(a) The Department will continue to provide charts showing taxation to GSP and taxation and royalties to GSP measures in the budget papers. The Department will examine the feasibility of including a table showing revenue per capita and other variables for each jurisdiction in the 2010-11 budget papers.</p> <p>(b) The Department will continue to provide data that clearly shows the general government revenue data. In preparing the 2010-11 Budget Papers, the Department will take into account the PAEC's preference for these data to be presented in a pie chart format as well as other stakeholder comments.</p> <p>(c) As the actual budget for the previous year is already presented no further action is proposed on this item. The Department will consider including in the State Revenue Chapter in BP4 the actual revenue raisings for the most recent completed year. DTF, however, will also consider other stakeholder comments on this aspect before making a final decision.</p>
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		<p>(d) Accept in Principle – The Budget Papers currently explain variances against original budget (BP4, Appendix C, Revised 2008-09 Budget Outcome) and against the previous budget update (BP2, Appendix A, Operating Statement Reconciliation). Note 31 in the 2008-09 Financial Report also provides explanations of material variances between budget and actual outcomes.</p> <p>Material variances in the forward estimates from the previous budget update are also explained (BP2, Appendix A). The previous budget update explains variances from the previous budget (e.g. see Chapter 3 in the 2009-10 Budget Update).</p>	<p>(d) No further action required as existing documents (budget and budget update) sufficiently explain material variances to forward estimates.</p> <p>DTF notes the PAEC's example of changes in estimates of provision of services revenue between 2008-09 Budget and 2009-10 Budget. However, DTF notes that for 2008-09 this variation was explained in BP4, Appendix C, Revised 2008-09 Budget Outcome. In most cases, major variances will be due to changes in the current (revised) year or budget year or due to policy changes. These are already sufficiently disclosed.</p>
<p><b>Recommendation 14 (Page 109)</b></p> <p>The Department of Treasury and Finance advise the Committee of the results of its study into presenting a finer breakdown of tax expenditures and concessions in the Budget Papers.</p>	<p><b>Accept in Part</b></p>	<p>The Budget Papers currently present the value of tax expenditures broken down into 40 categories (similar to the level of detail shown in NSW budget papers). The Department will continue to present this level of breakdown.</p> <p>The Department is planning to increase the number of categories shown for the value of concessions starting from the 2010-11 Budget.</p> <p>Due to space limitations the Department is not planning to include the number of recipients of tax concession in Budget Papers. These are available in the annual DHS State Concessions and Hardships Program publication.</p> <p>The Department is investigating the possibility of including the number of recipients of tax expenditures in Budget Papers, including the issue of data quality.</p>	<p>The 2010-11 Budget will include a finer breakdown of concession categories.</p> <p>The Department is continuing to examine the feasibility of showing the number of persons/households in receipt of a concession.</p>
<p><b>Recommendation 15 (Page 113)</b></p> <p>The Department of Human Services accelerate the completion date for its annual report on concessions and hardship programs which should occur as soon as possible in the following year.</p>	<p><b>Accept</b></p>	<p>The 2008-09 Concessions Annual Report will be completed by March 2010.</p>	<p>The 2009-10 Concessions Annual Report is planned to be completed by December 2010. Future reports are to be completed six months after the end of the financial year covered by the report.</p>

<b>Recommendation 16 (Page 117)</b>			
<b>The Department of Treasury and Finance conduct research to assess the socio-economic impacts that the first home bonus incentives have had in terms of their stimulative and distributive effects on the economy, particularly with regard to the securing existing jobs or creating new jobs and areas of growth.</b>	<b>Accept in Principle</b>	When budgeting for the First Home Bonus (the Bonus), the Department of Treasury and Finance (DTF) already incorporates a wide range of economic factors in assessing its wider impacts, including stimulative, distributive and employment effects.	DTF will continue to assess the impacts of the Bonus within Victoria.
<b>Recommendation 17 (Page 125)</b>			
<b>From 2010-11, a new budget paper, providing a comprehensive overview of State Government programs and initiatives for regional and rural Victoria, be provided.</b>	<b>Reject</b>	The budget papers currently report significant targeted initiatives by the six geographical segments of Victoria and these are supplemented by work under the Regional Strategic Planning initiative that is being undertaken through the Department of Innovation, Industry and Regional Development. State-wide initiatives are not reported at a geographical segment level as these are funded across Victoria and not specifically to a region. The Department of Treasury and Finance DTF considers the dissection of state-wide initiatives budget funding by regions as being only feasible where this information clearly represents the underlying purpose of the initiative.	No further work planned.

<p><b>Recommendation 18 (Page 129)</b></p>	<p><b>The Government investigate the social and economic impact of drought on families in regional Victoria and develop specific response strategies aimed at mitigating the severity of these impacts.</b></p>	<p><b>Accept</b></p>	<p>The Victorian Government announced a \$47 million drought package on 22 October 2009 to support individuals, families and farmers affected by drought. Since 2006, the Victorian Government has provided over \$400 million of drought support. In addition to this, the Victorian Government contributes to the Commonwealth Interest Rate Subsidy program (\$11 million per year).</p> <p>The 2009-10 drought package was developed in response to improved seasonal conditions but recognised that some areas of the state were continuing to be drought affected and required additional targeted support. One new initiative of the package is a farm improvement grant to support farm businesses (in drought affected areas) to carry out on-farm infrastructure improvements. The development of the drought package was undertaken in consultation with the Drought Inter-departmental Coordination Group (DICG) which includes the Department of Primary Industries (DPI), the Department of Planning and Community Development, the Department of Sustainability and Environment, the Department of Innovation Industry and Regional Development, the Department of Education and Early Childhood Development, the Department of Treasury and Finance, Regional Development Victoria, and the Department of Human Services.</p> <p>In addition, the Victorian Government also launched the Future Farming Strategy in 2008 which will invest \$205 million over four years, in programs to improve the ability of farmers to be productive, competitive and sustainable in the future. This strategy includes actions aimed at health and well-being issues faced by farming families and rural communities, including the AgFutures Initiatives, Sustainable Farm Families, Case Management of Farmers, and the National Centre for Farmer Health. The Victorian Government is awaiting an outcome from the Commonwealth National Drought Policy reform. This reform is in response to the Expert Social Panel Report and the Productivity Commission Inquiry Report to enhance preparedness of farmers for a changing climate.</p>	<p>The Victorian Government will continue to monitor seasonal, economic and social conditions to ensure appropriate, targeted and effective assistance is available as needed.</p> <p>DPI, in conjunction with DICG, will continue to evaluate drought programs to assess their effectiveness in meeting their strategic objectives. DPI is currently evaluating the effectiveness of the On-Farm Productivity Improvement Grants program.</p>
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<p><b>Recommendation 19 (Page 137)</b></p>	<p><b>The Department of Treasury and Finance review current sustainability and environment related reporting guidelines and performance indicators.</b></p>	<p><b>Under Review</b></p> <p>The Department of Sustainability and Environment (DSE) (rather than DTF [the Department of Treasury and Finance]) provides the leadership in driving the Public Sector's environmental reporting requirements through FRD 24C. DSE has been expanding the data collection and subsequent disclosure requirements and aligning successive versions of FRD 24 more towards GRI principles and reporting.</p> <p>The GRI framework extends past environmental reporting to include social and financial indicators and is beyond the scope of this FRD.</p> <p>Any proposal towards adoption of full triple bottom line reporting across the whole-of-government will have significant implications. Its adoption will need to be Government policy and will require whole-of-government consultation. Full compliance with GRI reporting is expected to be extensive and onerous and is unlikely to be achieved through FRD 24 alone, which is the current reporting instrument for prescribing annual report disclosure requirements for the departments and the environmental agencies.</p> <p>DSE are developing a data management tool to assist in the collection and reporting of environmental indicators of FRD for departments and agencies.</p>	<p>DSE to review FRD performance indicators and guidelines to address issues identified in consultation with departments including looking to expand to relevant GRI indicators.</p> <p>DTF financial reports include the disclosure of segment data, future targets and performance trends.</p> <p>DSE will work with DTF to identify opportunities to further expand FRD 24C indicators and guidelines.</p>
<p><b>Recommendation 20 (Page 137)</b></p>	<p><b>The Department of Treasury and Finance present in the Budget Papers a reconciliation of the differences in the figures for new output initiatives shown in Budget Paper No. 2 relating to the net impact of new output initiatives for each department and Budget Paper No. 3 that discloses the sum of gross amounts for each new initiative.</b></p>	<p><b>Accept in Principle</b></p> <p>The financial management and accountability framework for government departments focuses on the delivery of outputs and outcomes rather than management of inputs. The Department of Treasury and Finance (DTF) considers that the existing measures provide transparency about the application of funds through showing both the level of expenditure and the volume of new funding required to implement a particular initiative.</p>	<p>Although DTF does not support including a formal reconciliation, the department will consider how the current terms used to describe the differences between the tables can be enhanced. These descriptions will better convey the meaning of internal reprioritization and other existing sources. The department believes this will be generally in line with the broad direction of the recommendation.</p>

<p><b>Recommendation 21 (Page 141)</b></p> <p>The Department of Treasury and Finance considers the development of appropriate guidelines for the determination of 'funded vacancies' in public sector so that government agencies can report on their staff numbers in a comprehensive and consistent manner.</p>	<p><b>Reject</b></p>	<p>Departments are currently required to publish workforce data within their Annual Report under Financial Reporting Directions (FRD) 22 and 29. FRD 29 was developed following a review involving the State Services Authority, Department of Treasury and Finance and Department of Premier and Cabinet in 2006 and enhances reporting and presentation of data to facilitate comparisons across departments. The State Services Authority also publishes an annual State of the Service report which examines key aspects of the public sector workforce.</p> <p>Funded vacancies are not reported since the financial management and accountability framework for government departments focuses on the delivery of outputs and outcomes rather than management of inputs. Allocation of resources to achieve required outputs is an internal management issue. The introduction of additional annual reporting requirements focused on tracking internal management of input costs is not central to external accountability and is not supported.</p>	<p>No further work planned.</p>
<p><b>Recommendation 22 (Page 144)</b></p> <p>Government sector departments and agencies should collect and maintain qualitative and quantitative data such as entry and exit of staff, staff retention rates and average years of service for each VPS grade and executive level in each budget year. Such information should be used in the development of the department's workforce management and succession planning strategies. The department should also consider including this information in their corporate strategies reports.</p>	<p><b>Accept</b></p>	<p>The Department of Premier and Cabinet (DPC) collects a range of workforce data including staff entries, exits, retention rates and length of service. This data is reported regularly to DPC's Executive Leadership Team and to the State Services Authority via the annual workforce data collection process. Such workforce data was referenced in the development of <i>Investing in Our People: A People and Culture Strategy for DPC 2009-12</i>.</p>	<p>Workforce data measures will be used to assist in measuring successful outcomes for a range of people projects under <i>Investing in Our People: A People and Culture Strategy for DPC 2009-12</i>. This Strategy is linked to the objectives of DPC's Corporate Plan 2009-12.</p>

<p><b>Recommendation 23 (Page 154)</b></p>	<p>The Department of Treasury and Finance provide further detailed information relevant to further actions involved in review processes that are identified in relevant responses to Committee recommendations.</p>	<p><b>Accept</b></p>	<p><b>The Department of Treasury and Finance (DTF) Recommendation 39 response – Reject</b> – The Victorian Indigenous Affairs Framework (VIAF) is a whole of government responsibility. A Government statement outlining progress against the various actions and targets is already tabled in Parliament on annual basis. A Performance Management Framework has been completed which enables monitoring and annual reporting to Parliament. The purpose of Budget Paper No. 3 is quite different with specific output statements against resources assigned to individual departments for delivery of particular outputs.</p> <p><b>The Department of Transport (DOT) Recommendation 34 response – Under review</b> – On 15 July 2008, the Applicant (Blue Wedges Inc) was ordered by the Federal Court to pay the Respondents' (including the Port of Melbourne and the State of Victoria) costs of the application, including the costs of the motion, notice of which was given by the Applicant on 6 February 2008. The final costs awarded in favour of the Port of Melbourne and the State of Victoria pursuant to that order have not been determined.</p> <p><b>DTF – response 16 – Reject</b> – As stated in the Department's original response to Recommendation 16 (2008-09 Budget Estimates, part 3), the Department of Treasury and Finance does not separately report on the income derived from regulatory reform from other tax income, as this information cannot currently be accurately extracted.</p> <p>The Budget Papers currently present the value of tax expenditures broken down into 40 categories (similar to the level of detail shown in NSW budget papers). DTF will continue to present this level of breakdown.</p> <p>The Department of Treasury and Finance has reviewed:</p> <ul style="list-style-type: none"> <li>• the level of detail potentially available regarding concessions; and</li> <li>• the feasibility of including the value of fees waived to particular groups or bodies (e.g. where rental costs are not charged by departments to its statutory authorities).</li> </ul>	<p>Government has agreed to the establishment of targets for 2013 across the 21 Strategic Change Indicators (SCIs) in the VIAF and the Performance Management System (which has now been finalised). This was used to collate data to measure performance against the 21 SCIs for the 2008-09 Annual Whole of Government Report on Indigenous Affairs (which was tabled in Parliament in December 2009).</p> <p>DOT will continue to review.</p> <p>The Department of Treasury and Finance does not separately report on the income derived from regulatory reform from other tax income as this information cannot currently be accurately extracted. Future Budget papers will continue to provide detailed breakdown of tax expenditures.</p> <p>DTF is planning to provide a finer breakdown of the value concessions by category starting from the 2010-11 Budget. A Departmental review showed that the Government does not separately report on government-to-government subsidies as this information cannot currently be accurately extracted. Therefore it is not possible to provide the value of fees waived to particular groups or bodies.</p>
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		<p><b>The Department of Education and Early Childhood Development (DEECD) response – Reject</b> – The Department plans to undertake a comparative assessment of educational outcomes prior to and following capital projects in schools. As previously indicated, the Victorian Schools Plan benefits evaluation framework will take 2 to 3 years to provide reliable data. However, since the Department’s response to the recommendation, a number of matters have changed. The Victorian Schools Plan is now being implemented in conjunction with the Federal government’s economic stimulus package funding – Building Education Revolution (BER). The Department is undertaking further development to refine the Evaluation Framework to take account of the new elements the BER has introduced into the Capital Works program.</p> <p>Outcomes data for all schools is now publicly available in the Victorian Government School Performance Summaries at the VRQA State Register: <a href="http://www.vrqa.vic.gov.au/sreg/default.htm">www.vrqa.vic.gov.au/sreg/default.htm</a>.</p> <p><b>DTF Recommendation 13 response</b> – Please see recommendation 17 (above).</p>	<p>The Department will publish summary results of the evaluation framework in an appropriate format.</p>
<p><b>Recommendation 24 (Page 172)</b></p>			
<p><b>The Department of Treasury and Finance expand the sensitivity analysis contained in the Budget Papers to quantify the impact on the general government fiscal results of selected indicators being 1 per cent lower than expected, if the financial effect is not symmetrical with the scenario presented in the Budget Papers.</b></p>	<p><b>Accept</b></p>	<p>A preliminary review undertaken by the Department of Treasury and Finance shows that a negative change to indicators has approximately the same absolute impact on the net result from transactions as does the equivalent positive change to indicators. However, the effect on “Other economic flows” (and therefore the Net result) is generally not symmetrical mainly due to the different impact on returns to superannuation funds. The Department will undertake further research to ascertain whether these differences are of a material nature.</p>	<p>Where positive impacts on fiscal results are found to be materially different from negative impacts (other than a change in sign), the sensitivity analysis section in the Budget papers will be expanded to include the effect of lower than expected impacts on selected variables.</p>

<b>Recommendation 25 (Page 176)</b>			
<p><b>In order for the target of up to 35,000 jobs to be secured in 2009-10, the Government ensure that sound project management disciplines are followed in the delivery of construction projects on time.</b></p>	<p><b>Accept in Part</b></p>	<p>Government accepts that the application of sound project management disciplines are necessary to deliver projects on time. For example the Department of Transport (DOT) reviewed and updated its Project Management Framework (PMF) during the latter half of 2009.</p> <p>The PMF was relaunched in November 2009. The PMF outlines how DOT projects are to be developed and delivered with a focus on consistent high quality documentation.</p> <p>DOT has extensive training available for project managers to enhance skills and have developed a Project Management Community of Practice to improve the sharing of knowledge and experience in project management across the DOT.</p>	<p>Government intends to continue its focus on improved governance of projects.</p>
<b>Recommendation 26 (Page 176)</b>			
<p><b>The Department of Treasury and Finance include outcomes reporting of the extent of jobs secured as well as the new jobs created in particular sectors.</b></p>	<p><b>Reject</b></p>	<p>In the 2009-10 Budget, the Government provided a broad estimate of the associated or secured employment from the various government infrastructure projects underway in 2009-10 in Victoria. This was not a specific target or outcome, but a way for the Government to communicate the broad employment-related benefits from the infrastructure program.</p> <p>The estimate was based on The Department of Treasury and Finance (DTF) methodologies developed to indicate the number of jobs directly associated with a given value of construction, for different types of project. The methodologies were then applied to estimate employment associated with the infrastructure program.</p> <p>This approach was used given the difficulty in ascertaining how many people would be directly employed on these projects using only information about the total cost. Reporting such measures on a project-by-project, or even on a program-wide basis, would be extremely costly, and create an unnecessary burden on project managers. With this in mind, it was never the intention of the Government to report against this estimate.</p>	<p>No further action planned.</p>

<p><b>Recommendation 27 (Page 177)</b></p> <p>The Department of Innovation, Industry and Regional Development report on a progressive basis and, according to key industry sectors, the take up of government subsidised training places in areas of skill shortage.</p>	<p><b>Accept in Principle</b></p>	<p>Skills Victoria uses market intelligence to identify critical skill needs, including skills shortages, at the industry and occupational level. Skills Victoria also closely monitors activity in training across these areas, including the uptake of apprenticeships and traineeships. Regular reports are provided to the Department of Innovation Industry and Regional Development (DIIRD) senior executives, to the government through Cabinet and to the Victorian Skills Commission.</p>	<p>Skills Victoria has developed a performance and monitoring framework to monitor the impact of <i>Securing Jobs for your Future</i> — <i>Skills for Victoria</i> on the take up of training. These reports provide an age, qualification and industry level breakdown.</p>
<p><b>Recommendation 28 (Page 180)</b></p> <p>As the Victorian Transport Plan unfolds, the Department of Treasury and Finance include a progress report in the Budget Papers disclosing future planned or revised outcomes.</p>	<p><b>Accept in Principle</b></p>	<p>The Victorian Transport Plan (VTP) was released in December 2008 and set out a comprehensive plan for projects to be delivered over twelve years including timelines and estimated costs.</p> <p>The VTP is reported in Budget Paper No. 3. Specifically, Appendix A reports descriptions and approved funding for the VTP output initiatives and infrastructure investments announced in the Budget. Appendix E, introduced for the first time in the 2009-10 Budget Papers, sets out the VTP initiatives funded Budget against commitments outlined in the VTP.</p> <p>On 3 December 2009, the Premier released the first VTP report card which included an overview of progress for each project and program including key milestones and project completions.</p>	<p>The 2010-11 Budget Paper No. 3 will continue to report on the VTP through Appendix A and Appendix E to the level reported in the 2009-10 Budget.</p> <p>There will be regular updates of the VTP.</p>

<p><b>Recommendation 29 (Page 182)</b></p>	<p><b>The Department of Transport report at regular intervals on progress made in achieving 40 per cent local content on a whole-of-life basis for train purchases.</b></p>	<p><b>Accept</b></p>	<p>There are currently three rolling stock projects in progress or under development with DOT.</p> <p>The VLocity trains continue to be manufactured at Dandenong and have local content exceeding 65 percent on a whole-of-life basis.</p> <p>The Department of Transport (DOT) has negotiated the fit-out of 19 of the further 20 Alstom trains to be undertaken in the United Group workshops at Ballarat. These 20 new trains bring the current order to 38 new trains. This work will commence in 2011 and is estimated to give a whole-of-life local content of at least 50 percent for the total order of 38 X'Trapolis six-car train sets.</p> <p>DOT has required the respondents to the Expression of Interest for the supply and maintenance of the 50 trams for the Melbourne network to identify the amount of local content in the manufacturing phase as well as for the whole-of-life. The target for the manufacturing phase is 25 percent and this is specified in the Request for Tender to be issued to the short listed tenderers in early 2010. The estimated whole-of-life local content figure is above 55 per cent.</p>	<p>DOT has established local content as a standard requirement in its documentation for the procurement of rolling stock.</p> <p>DOT also meets with officers of the Department of Innovation, Industry and Regional Development as required to assist with the promotion of local industry involvement in rolling stock supply and maintenance.</p> <p>It is proposed to relate the findings to specific rolling stock projects and to report half yearly through the Industry Capability Network (ICN).</p>
<p><b>Recommendation 30 (Page 183)</b></p>	<p><b>When embarking on major rail extensions, the Department of Transport ensure that:</b></p> <p>(a) when features such as grade separations are involved that are costly to provide, every effort be made to ensure that projects are undertaken in a cost effective manner; and</p> <p>(b) in the event that demographic factors in growth corridors suggest that the grouping of projects may be appropriate, feasibility studies be undertaken in a timely manner to justify proceeding with priority projects.</p>	<p><b>Accept</b></p>	<p>(a) Accept – the Department of Transport (DOT) applies nationally agreed Investment Appraisal Guidelines for transport projects that ensure that a range of options are identified and that benefit-cost analysis are undertaken to test the cost-effectiveness of the solution.</p> <p>(b) Accept in Principle – The recently completed planning for “Investigation Areas” identified in <i>Melbourne @ 5 million</i> demonstrated the integrated approach taken across Planning and Transport portfolios, ensuring that inter-related projects can be planned on a “grouped” basis. There is, however, a limit to the extent that Government can set budget priorities and determine funding appropriations without detailed feasibility studies of individual projects.</p>	<p>(a) Continue to apply best practice project development and appraisal methodologies.</p> <p>(b) Continue Whole-of-Government approach to planning for growth corridors and taking a programmatic approach to feasibility studies where appropriate.</p>

<p><b>Recommendation 31 (Page 184)</b></p>	<p><b>For the Sunbury rail line electrification project, the Department of Transport should continue to place an emphasis on providing a high standard of service in relation to the metropolitan trains running on the electrified system, particularly with regard to cleanliness and punctuality.</b></p>	<p><b>Accept</b></p> <p>New metropolitan train operator Metro Trains Melbourne has committed to improve train punctuality and reduce cancellations by introducing a proactive, preventative approach to infrastructure and rolling stock maintenance. An increased emphasis on the standards of cleanliness and punctuality are incorporated in the new Metropolitan Train Franchise Agreement which commenced on 30 November 2009.</p> <p>The Government has also tightened the definition of late-running services as part of the new Franchise Agreement's Operational Performance Regime (OPR), from the previous measure of five minutes and 59 seconds to four minutes and 59 seconds for the new franchise.</p> <p>The new metropolitan train Franchise Agreement also includes a new Customer Experience Performance Regime (CEPR). The (CEPR) is a monitoring and incentive system designed by the Department of Transport (DOT) to monitor the actual performance of certain aspects of customer services through audits of the train network, in conjunction with an analysis of customers' views as collected in the Customer Satisfaction Monitor (CSM).</p>	<p>As part of The Victorian Transport Plan, the Victorian and Federal Governments have committed \$4.3 billion to the Regional Rail Link (RRL) project. The project will see the construction of up to 50 kilometres of twin track from West Werribee to Southern Cross Station, providing for the first time separate tracks for regional and metropolitan trains. The project will provide substantial increases in capacity and reliability for Bendigo services (in addition to Geelong and Ballarat), and free up capacity for extra suburban services from Sunbury (in addition to Werribee and Craigieburn).</p> <p>The Federal Government has recognised RRL as a key priority for public transport capacity in Victoria, and in the 2009-10 Federal Budget provided \$3.2 billion to the project. The Victorian Government will fund \$1.1 billion. Piling works commenced in August 2009 on Platforms 15 and 16 at Southern Cross Station, with major construction scheduled to start in 2010. The project is scheduled for completion in 2014.</p>
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<p><b>Recommendation 32 (Page 189)</b></p> <p>The Department of Education and Early Childhood Development ensure that detailed information about the National Assessment Program — Literacy and Numeracy testing program, including differences between it and the previous Achievement Improvement Monitor testing is provided in its annual report and on its website.</p>	<p><b>Accept in Principle</b></p>	<p>The National Assessment Program Literacy and Numeracy (NAPLAN) replaced the former national benchmarks which were assessed from 1999-2007 using the Achievement Improvement Monitor (AIM) in Victoria and other local tests in other states and territories. The data series for the national benchmarks ended in 2007. The data for these two assessment programs are not comparable. Further reference to the AIM tests may create confusion and result in inappropriate data comparisons being made.</p> <p>The Victorian Curriculum and Assessment Authority (VCAA) website contains archived information about AIM and indicates the change to NAPLAN as the basis for nationally comparable assessment of literacy and numeracy. This can be viewed at: <a href="http://www.vcaa.vic.edu.au/vcaa/rep10/aim/aimindex2.html">www.vcaa.vic.edu.au/vcaa/rep10/aim/aimindex2.html</a>.</p> <p>Information about the changed data collection from 2008 is also available on the Ministerial Council for Education, Early Childhood Development and Youth Affairs (MCEECDYA) website at – <a href="http://www.mceecdya.edu.au/mceecdya/nap-benchmarks_-_1999_to_2007_reports,25394.html">www.mceecdya.edu.au/mceecdya/nap-benchmarks_-_1999_to_2007_reports,25394.html</a>.</p>	<p>Links to the VCAA and MCEECDYA sites will be added to the Department's NAPLAN webpage.</p>
<p><b>Recommendation 33 (Page 194)</b></p> <p>The Department of Premier and Cabinet make appropriate adjustments to the Government's key measure of progress towards the Growing Victoria Together education goal to reflect the replacement of the national benchmark measures with the new national minimum standards.</p>	<p><b>Accept</b></p>	<p>In previous Growing Victoria Together (GVT) Progress Reports, the State's literacy and numeracy performance was reported against national benchmarks. However in 2008 a new data set and methodology were established to measure literacy and numeracy standards against national <i>minimum standards</i>. The new data set is known as the National Assessment Program for Literacy and Numeracy (NAPLAN). The NAPLAN data have already been published in the 2009 GVT Progress Report and will continue to be published in the future. The Department of Premier and Cabinet (DPC) has noted that the wording of the measure requires amendment to reflect this change.</p>	<p>The GVT measure previously published read: <i>The proportion of Victorian primary students achieving the national benchmark levels for reading, writing and numeracy will be at or above the national average.</i></p> <p>The new measure will now read: <i>The proportion of Victorian primary students achieving national minimum standards in literacy and numeracy will be at or above the national average.</i></p> <p>The revised wording for the measure will be published in the 2010 GVT progress Report.</p>

<p><b>Recommendation 34 (Page 194)</b></p> <p>The Department of Treasury and Finance and the Department of Education and Early Childhood Development report the results for student achievement in literacy, numeracy and reading in future annual reports.</p>	<p><b>Accept in Principle</b></p>	<p>Department of Education and Early Childhood Development (DEECD) accepts the need to publish results of student achievement.</p> <p>Results for students in Years 3 and 5 are reported in DEECD Annual Report against the GVT measures. Year 7 and 9 results are not reported in the Annual Report as the information is readily available elsewhere. This includes reporting literacy and numeracy results for Years 3,5,7 and 9 against Budget Paper performance targets in DEECD's future Annual Report.</p> <p>All National Assessment Program Literacy and Numeracy (NAPLAN) results are reported publicly on the Ministerial Council for Education, Early Childhood Development and Youth Affairs (MCEECDYA) website and individual school results are included in the Australian Curriculum, Assessment and Reporting Authority (ACARA) My School website and in the Victorian Government School Performance Summaries on the Victorian Registration and Qualifications Authority (VRQA) website.</p> <p>In addition NAPLAN results are publicly reported in the Productivity Commission's annual Report on Government Services (ROGS).</p>	<p>Literacy and numeracy results for Years 3,5,7 and 9 against Budget Paper performance targets will be reported in DEECD's future Annual Report.</p>
<p><b>Recommendation 35 (Page 195)</b></p> <p>The Department of Education and Early Childhood Development adopt service delivery targets for the National Assessment Program — Literacy and Numeracy measurements that exceed the national minimum standards.</p>	<p><b>Under Review</b></p>	<p>In light of Victoria's excellent performance in 2008 and 2009 National Assessment Program Literacy and Numeracy (NAPLAN) tests, the Department will consider raising a number of NAPLAN output performance measure targets to above the national minimum standard.</p> <p>Targets focusing on performance above the national minimum standard have also been developed for Indigenous students as Council of Australian Governments (COAG) targets and as part of the Victorian Indigenous Affairs Framework.</p>	<p>Under review.</p>
<p><b>Recommendation 36 (Page 195)</b></p> <p>The Department of Education and Early Childhood Development develop and report on appropriate performance measures and targets to assess student achievement in writing.</p>	<p><b>Accept in Principle</b></p>	<p>A range of 'literacy' domains are assessed in National Assessment Program Literacy and Numeracy (NAPLAN) – Reading, Writing, Spelling, and Grammar and Punctuation. Student assessment in writing is already reported as indicated in the response to Recommendation 34 above on the Ministerial Council for Education, Early Childhood Development and Youth Affairs (MCEECDYA) website and in the Report on Government Services (ROGS)</p>	<p>No further action is planned.</p>

<b>Recommendation 37 (Page 197)</b>			
<b>The Department of Health implement appropriate performance measures for the Victorian Mental Health Reform Strategy.</b>	<b>Accept</b>	<p><i>Because Mental Health Matters - Victorian Mental Health Reform Strategy 2009-2019 incorporates an outcomes framework that will be used as the basis for setting, monitoring and reporting on change brought about through the strategy. The measures used within this framework will include population level impacts as well as service system changes.</i></p>	<p>The new Victorian Mental Health Reform Council will assist in defining the key performance measures to be collected and reported. Measures required by national processes, including the Council of Australian Governments (COAG) National Action Plan on Mental Health will be incorporated. This high level reporting will be complemented by rigorous performance monitoring and evaluation of all major initiatives funded under the strategy.</p>
<b>Recommendation 38 (Page 197)</b>			
<b>The Department of Health consider reporting yearly progress against the Victorian Mental Health Reform Strategy via a separate report.</b>	<b>Accept</b>	<p>The Department of Health is committed to regular public reporting of progress in implementing the Mental Health Reform Strategy. As a first step, a Strategy Implementation Plan 2009-2011 will shortly be released detailing concrete actions to be taken over the first two years of the strategy. This will include activities specifically funded by government as part of the strategy effort, as well as redevelopment and enhancement activities utilising existing resources.</p>	<p>An annual activity report will be produced based on the implementation plan, together with a three-year impact report based on regular data collection and early evaluation of initiatives. The new Victorian Mental Health Reform Council will oversee preparation of these reports. The department has also undertaken to produce a new regular report on public mental health service performance.</p>

<b>Recommendation 39 (Page 198)</b>	
<b>The Department of Health review performance indicators for the Crisis Assessment and Treatment Service and consider the addition of performance measures that assess response times.</b>	<b>Accept</b>
The Government has reviewed triage and service responsiveness data collection in order to develop a new minimum triage dataset. The minimum dataset will be rolled out in 2010 in conjunction with a statewide Mental Health Triage Scale, which will standardise the recording of triage outcomes and expected response times. The new dataset will provide valuable data in relation to responses to mental health crisis as well as access and pathways for non-crisis triage contacts. The dataset will provide information on service demand (including demand according to referrer-type for example, police or carers), service responsiveness (including Crisis assessment and treatment teams [CATT] responsiveness), and the number and referral pathway of those people who do not require a specialist mental health service response.	During the roll-out of the new dataset, the department will work with health services and key stakeholders to benchmark key performance indicators. Following the implementation of the dataset and the completion of the benchmarking process, the department will consider appropriate performance targets.
<b>Recommendation 40 (Page 200)</b>	
<b>The Department of Education and Early Childhood Development include the cost of Ultranet Coaches as a separate line item in its annual reports and Budget Papers.</b>	<b>Reject</b>
The Annual Report of the Department of Education and Early Childhood Development complies with applicable Australian Accounting Standards and the Victorian Departmental Model report as required under the Financial Management Act 1994. The cost of Ultranet coaches is not specifically required by either of these. The cost is not material compared to the Department's other costs and does not justify separate disclosure.	No further action is planned.
<b>Recommendation 41 (Page 201)</b>	
<b>The Department of Education and Early Childhood Development should take steps to measure progress against anticipated outcomes for the Ultranet Coach initiative.</b>	<b>Accept</b>
The Ultranet Coach initiative was independently evaluated in 2009 and recommendations were incorporated into the Ultranet implementation strategy.	Outcomes of the Ultranet Coach initiative will be measured as part of the Ultranet project evaluation being undertaken from March 2010 to March 2013.

<p><b>Recommendation 42 (Page 210)</b></p>	<p><b>The performance measures for Sustainable Water Management and Supply consider volumetric targets and reporting for environmental flows.</b></p>	<p><b>Accept in Part</b></p>	<p>As part of Budget Paper 3, the Department annually reports on environmental flows by the number of river systems where action is/will be undertaken to improve the environmental flows. This performance measure is used as it allows for a comparison from year to year as the target can be set, and the outcomes known with certainty. Volumetric targets are not used for reporting on environmental flows due to the changing seasonal conditions. This means that annual volumetric targets could not be set with certainty, and there would be a high degree of variability from year to year which would not allow useful comparison.</p>	<p>As outlined in recommendation 2 of the <i>Government's Response to the PAEC 85th Report — Inquiry into Victoria's Public Finance Practices and Legislation: New Directions in Accountability</i> the Government will develop outcome and intermediate performance indicators and measures to complement the current output performance measures.</p> <p>Therefore, the Department's current performance measures and indicators will all be reviewed to ensure they demonstrate the impact of outputs and their effectiveness in contributing towards the achievement of government's intended outcomes.</p>
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<p><b>Recommendation 43 (Page 221)</b></p> <p><b>An increase in funding for the Sustainable Practice Change output could be considered to meet increased performance expectations and support mitigation of climate change through development of sustainable farming practices.</b></p>	<p><b>Accept</b></p>	<p>Budgeted funding for the Sustainable Practice Change output has actually increased every year for the past four years.</p> <table border="1" data-bbox="284 638 391 1467"> <tr> <td></td> <td><b>2009-10 Budget</b></td> <td><b>2008-09 Budget</b></td> <td><b>2007-08 Budget</b></td> <td><b>2006-07 Budget</b></td> </tr> <tr> <td>Sustainable Practice Change</td> <td><b>163.1</b></td> <td>142.8</td> <td>140.2</td> <td>111</td> </tr> </table> <p>During this period Actual funding for this Output has varied significantly.</p> <table border="1" data-bbox="459 638 566 1467"> <tr> <td></td> <td><b>2008-09 Actual</b></td> <td><b>2008-09 Revised</b></td> <td><b>2007-08 Actual</b></td> <td><b>2006-07 Actual</b></td> </tr> <tr> <td>Sustainable Practice Change</td> <td>232.9</td> <td><b>214.7</b></td> <td>280.2</td> <td>204</td> </tr> </table> <p>This is mainly due to the variations in Exceptional Circumstances Interest Rate Subsidy payments (which are determined annually based on need), as well as other one off expenses such as funding provided throughout the year for bushfire recovery and drought response.</p> <p>In concluding that funding for this output has decreased the PAEC's 88<sup>th</sup> report compares the <b>2008-09 Revised Budget</b> figure as at the Budget's publication in May 2009 (\$214.7 million) with the <b>2009-10 Published Budget</b> figure (\$163.1 million). These figures are not comparable, as this in comparing a budgeted figure with an estimated actual.</p> <p>Whilst funding has increased to meet increased performance expectations, there is scope to do more. The Department of Primary Industries (DPI) has already restructured its programs to tackle the effects of climate change on the community. Teams of staff dedicated to fire recovery and coordination have been formed and a climate change capacity building and training team is now working with DPI field staff to build the Government's extension capacity in the area of climate change.</p> <p>The Victorian Government has also delivered a large number of programs including research about the climate change effects of methane and nitrous oxide emissions and preparing farm businesses for the climate and emission challenge (230 sessions delivered to 7000 people in past 16 months).</p>		<b>2009-10 Budget</b>	<b>2008-09 Budget</b>	<b>2007-08 Budget</b>	<b>2006-07 Budget</b>	Sustainable Practice Change	<b>163.1</b>	142.8	140.2	111		<b>2008-09 Actual</b>	<b>2008-09 Revised</b>	<b>2007-08 Actual</b>	<b>2006-07 Actual</b>	Sustainable Practice Change	232.9	<b>214.7</b>	280.2	204	<p>A key aim for Government over the coming decade is to be more proactive in assisting all stakeholders to work towards transformative changes and to prepare them for a hotter and more variable climate.</p> <p>Although most activity to date has been within the research area, Government and DPI will build on the progress that has been made in forecasting the regional impacts of climate change and identifying the characteristics that agricultural practices will need to have to enable primary producers to adapt in specific regions. Further work is required in the "practice change/extension" area for both climate risk and mitigation if this is to be converted to change at the farm business level.</p> <p>DPI has contributed to the Whole-of-Victorian-Government White paper on climate change, specifically focussing on transition to a low carbon economy and increasing Victoria's Agricultural Adaptive capacity to climate change. Future activity by the department will be in line with the areas identified in this paper.</p>
	<b>2009-10 Budget</b>	<b>2008-09 Budget</b>	<b>2007-08 Budget</b>	<b>2006-07 Budget</b>																			
Sustainable Practice Change	<b>163.1</b>	142.8	140.2	111																			
	<b>2008-09 Actual</b>	<b>2008-09 Revised</b>	<b>2007-08 Actual</b>	<b>2006-07 Actual</b>																			
Sustainable Practice Change	232.9	<b>214.7</b>	280.2	204																			

<b>Recommendation 44 (Page 233)</b>		
<b>The Department of Human Services review the performance indicators for child protection services including human resource workloads.</b>	<b>Accept</b>	<p>Outputs and associated performance measures are reviewed and refined on an annual basis as part of the State budget cycle. Where appropriate, performance targets are adjusted to reflect sustained and sustainable improvements in service performance.</p> <p>Data reporting systems have been improved to enable more accurate reporting of performance data, including reports in staff numbers and vacancies, and the rate of unallocated cases in the system.</p>
		<p>The Department of Human Services will continue to monitor performance trends and adjust future targets as appropriate.</p> <p>In addressing the recommendations of the 2009 Ombudsman Victoria report into the Child Protection program, the department will undertake the following actions:</p> <ul style="list-style-type: none"> <li>• publish data on unallocated cases in the DHS annual report;</li> <li>• review the standards for child protection response times; and</li> <li>• review child protection performance measures.</li> </ul>
<b>Recommendation 45 (Page 236)</b>		
<b>The Department of Human Services develop a formal valuation framework for the Directions for Out-of-home care strategy and the outcomes arising to inform future decision-making and strategic actions.</b>	<b>Accept</b>	<p>The Department of Human Services engaged KPMG to undertake an evaluation of child and family services system reforms over a three year period to August 2011. A focus of this evaluation is delivery and effectiveness of out of home care services.</p> <p>The initial elements of the evaluation are formative, offering progress in implementing the reforms.</p>
		<p>Stage 2 of the evaluation will focus on reviewing the impact and effectiveness of each component of the reform strategy, assessing the level of systems, practice and cultural change and the resulting outcomes for children in care.</p>

<b>Recommendation 46 (Page 236)</b>			
<p><b>The Department of Human Services ensure that:</b></p> <p>(a) community service organisations, providing residential care on behalf of the State, have a clear understanding of the aims and reform initiatives outlined in the 'Directions for out-of-home care' and, in particular, expected improvements in outcomes intended to flow from these reforms; and</p> <p>(b) adequate monitoring systems are in place to assess the effective implementation of the reforms, and the improvements made, by community service organisations providing residential out-of-home care.</p>	<p><b>Accept</b></p>	<p>The Department of Human Services has provided clear and timely information to community service organisations regarding the key objectives of the out of home care reforms.</p> <p>There has been extensive discussion with out of home care providers through a Ministerial roundtable (May 2009), as well as sector forums (July and August 2009), bi-monthly strategy group meetings and regional planning processes. A statement of priorities consisting of the objectives, priorities and outcomes out of home care services will achieve in 2009-10 has been used in regional planning processes to ensure key reform objectives are met.</p> <p>Service agreements with providers provide the principal mechanism to:</p> <ul style="list-style-type: none"> <li>• document the nature, scope and volume of the services to be provided by the agency; and</li> <li>• regularly monitor agency performance against the requirements outlined in the service agreement.</li> </ul>	<p>An annual statement of priorities process will facilitate delivery of progress towards the key reform objectives of improved quality of service provision by community service providers.</p>
<b>Recommendation 47 (Page 244)</b>			
<p><b>The Department of Human Services should consider including detailed information in future Annual Reports in respect to the outputs and outcomes of its Bushfire Recovery Service Delivery Unit.</b></p>	<p><b>Accept in Principle</b></p>	<p>The role of the Bushfire Recovery Service Unit and some of its specific activities and achievements are described in the DHS Annual Report 2008-09. For example, the section 'Our stories- integrating services to help those in need- Victorian Bushfires 2009' describes the Victorian Bushfire Case Management Service, psychosocial recovery services and emergency accommodation services.</p> <p>Similarly, the 'Year in Review' section contains a chapter on 'Responding to Emergencies' and refers to the establishment of the Unit.</p>	<p>The Bushfire Recovery Service Unit was established to respond to one specific event. The Department of Human Services (DHS) will consider including further information on the unit's achievements in the next Annual Report as well as information on recovery from other emergencies in future Annual Reports.</p>

<p><b>Recommendation 48 (Page 251)</b></p>	<p><b>The Department of Justice develop relevant and appropriate performance measures to assess the achievements of its road safety initiatives in 2009-10 and over the forward estimates period.</b></p>	<p><b>Accept in Principle</b></p>	<p>The department and Victoria Police are committed to continuing to improve road safety. 2009-10 is the first year of further funding to support strategies aimed at reducing the road toll and trauma through a range of road safety initiatives:</p> <ul style="list-style-type: none"> <li>• extension of moving mobile radar technology</li> <li>• renewal of speed measuring devices</li> <li>• increase in drug driving test;</li> <li>• renewal of breathalyser equipment</li> <li>• extension of vehicle impoundment scheme</li> <li>• continuation of investigation of major collisions</li> <li>• extension of mobile safety cameras, and</li> <li>• upgrade of 53 intersection safety cameras</li> </ul> <p>The department will monitor the impact of road safety initiatives through its performance measure, which reports the number of infringement notices processed.</p> <p>Victoria Police will similarly approach the monitoring of the impact of road safety initiatives through its existing BP3 road safety performance measures. These measures quantify the proportion of drivers tested who comply with posted speed limits and alcohol limits, as well as the proportion of drivers tested who return a clear result for prohibited drugs. Victoria Police's Annual Report also outlines performance in the reduction of deaths and serious injuries on Victoria's roads.</p> <p>In addition, the annual <i>Federal Report on Government Services</i> currently includes data for road safety performance measuring the following:</p> <ul style="list-style-type: none"> <li>• road fatalities per 100,000 registered vehicles (reporting road fatalities per 100,000 population is currently under review),</li> <li>• proportion of drivers who report having driven more than 10kph over posted speed limits in the past 6 months,</li> <li>• proportion of drivers who report having driven when possibly over the alcohol limits, and</li> <li>• proportion of drivers who report having driven without wearing a seat belt.</li> </ul>	<p>The department and Victoria Police will continue to monitor the appropriateness of its existing road safety performance measures and will take this recommendation into account when preparing the 2010-11 budget papers, the annual BP3 review process and Annual Report.</p>
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<b>Recommendation 49 (Page 252)</b>		
<p><b>The Road Safety Executive Group give consideration to the development of an evaluation of strategy and the inclusion of outcome measures and targets in future action plans under the Government's Arrive Alive 2 Road Safety Strategy.</b></p>	<p><b>Accept in Part</b></p>	<p>In developing the <i>Arrive Alive</i> strategy, a modelling tool was developed to calculate the benefits of implementing a range of initiatives. It provided a basis for assessing performance against a target at any point in time. However, while it provides an indication of intermediate targets it is not sufficiently robust to enable a target reduction to be placed in the public arena.</p> <p>A ten year term for <i>Arrive Alive</i> was seen as important to allow for fluctuations that do occur and the introduction of initiatives that have a long lead time for development, implementation or to produce a benefit. Initiatives can sometimes be delayed for a variety of reasons.</p>
<p>Future action plans define the tasks required to ensure progress towards the 10-year target and this progress is monitored continuously throughout the life of the strategy.</p> <p>Evaluation is critical in identifying continued improvements. A significant initiative such as the Graduated Licensing System is to be evaluated over a period of four years which would not meet the timeframe for the next action plan. While an overall assessment of each action plan will be undertaken the focus will be on the evaluation of the key projects themselves, such as infrastructure and the introduction of new vehicle technologies.</p>		
<b>Recommendation 50 (Page 252)</b>		
<p><b>The Road Safety Executive Group determine a process for publicly reporting the results and outcomes following completion of each of the three year action plans under the Government's Arrive Alive 2 Road Safety Strategy.</b></p>	<p><b>Accept</b></p>	<p>Analysis of the performance of each action plan will be undertaken within six months of expiry of the action plan and the results published on the Arrive Alive website.</p>
<p>As stated in action taken to date.</p>		

<b>Recommendation 51 (Page 264)</b>		
<p><b>Given the magnitude of the budget surpluses and efficiency savings expected to be achieved in the 2009-10 Budget year and over the forward estimates, departments consider in their business plans the need to deliver savings targets by, among other things:</b></p> <ul style="list-style-type: none"> <li>(a) promoting a culture of efficiency throughout their organisations and in the way budgets are developed and managed;</li> <li>(b) demonstrating a clear commitment to improving cost control and productivity; and</li> <li>(c) examining the efficacy of establishing a dedicated committee to manage the implementation of the efficiency enhancing reforms.</li> </ul>	<p><b>Accept in Principle</b></p>	<p>Departments currently do promote a culture of efficiency, with a clear focus on cost containment and productivity. The existence of robust governance structures within departments re-enforce this practice. Illustratively, the Department of Treasury Finance's governance structure includes a Finance and Strategy Committee which is responsible for monitoring the Department's finances.</p>
<b>Recommendation 52 (Page 267)</b>		
<p><b>The Department of Treasury and Finance encourage departments to disclose in their annual reports, details about the various strategies pursued during the year to achieve the required efficiency savings of a general nature, categorised according to the various types of savings.</b></p>	<p><b>Reject</b></p>	<p>Departments continually assess the effectiveness of their governance structures to ensure effective financial management.</p>
<b>Recommendation 52 (Page 267)</b>		
<p><b>The Department of Treasury and Finance encourage departments to disclose in their annual reports, details about the various strategies pursued during the year to achieve the required efficiency savings of a general nature, categorised according to the various types of savings.</b></p>	<p><b>Reject</b></p>	<p>The financial management and accountability framework for government departments focuses on the delivery of outputs and outcomes rather than management of inputs.</p> <p>The Department of Treasury Finance (DTF) considers that current annual reporting guidelines which focus on performance against operational and financial objectives remain appropriate and does not propose introducing additional annual reporting requirements focused on tracking internal management of input costs.</p>
<b>Recommendation 52 (Page 267)</b>		
<p><b>The Department of Treasury and Finance encourage departments to disclose in their annual reports, details about the various strategies pursued during the year to achieve the required efficiency savings of a general nature, categorised according to the various types of savings.</b></p>	<p><b>Reject</b></p>	<p>No further work planned.</p>

<p><b>Recommendation 53 (Page 271)</b></p>	<p><b>The Department of Treasury and Finance expand the disclosure of planned output efficiencies in the Budget Papers by:</b></p> <p>(a) identifying the broad range of areas where savings in the nature of general efficiencies are expected to be achieved across departments over the four year period; and</p> <p>(b) providing a total of each department's expected contribution to savings targets over the four year period</p>	<p>Accept in Part</p>	<p>(a) Reject – The financial management and accountability framework for government departments focuses on the delivery of outputs and outcomes rather than management of inputs. Under this framework, the allocation of savings is a matter for individual departments to manage within the existing performance management framework even where savings are directed at specific initiatives.</p> <p>The day to day management of departmental inputs (e.g. staff, external resources, application of savings targets) within agreed output prices is the responsibility of internal management and not central to external accountability. This is in line with contemporary thinking and practice across the Australian public sector (and based on international experience). Introducing additional annual reporting requirements focused on tracking internal management of input costs is not supported.</p> <p>(b) Accept – Government efficiency initiatives are already reported in total and against each department within Budget Paper 3 and the Budget Update as necessary.</p>	<p>No further work planned.</p>
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## APPENDIX 4: CRITICAL ISSUES FACING REGIONAL AND RURAL VICTORIA AND FUNDING INITIATIVES CONTAINED IN THE 2010-11 BUDGET

### *Department of Education and Early Childhood Development*

Key regional and rural issues for the Department into the future and a description of the resources provided in the 2010-11 Budget are shown in Table A4.1.

**Table A4.1: Critical issues facing regional and rural communities and 2010-11 Budget response (Department of Education and Early Childhood Development)**

Critical issues facing regional and rural communities in 2010-11	2010-11 Budget response
<p>Regional and rural communities are facing a number of continuing challenges including prolonged drought, bushfire recovery and preparedness and dealing with an uncertain economic climate.</p> <p>Schools are at the heart of the community, particularly in regional and rural Victoria. Vibrant and inclusive schools provide a place not only where students can learn and develop, but also where the community can come together.</p> <p>The importance of schools to community cohesion, providing a strong foundation for young Victorians and the Victorian economy more broadly, is recognised by the Government and these communities have received significant funding through the \$1.9 billion <i>Victorian Schools Plan</i>.</p> <p>The Government has, and will, continue to work closely with bushfire affected communities to rebuild school and early childhood facilities and support the recovery of the affected communities.</p>	<p>Since 1999 a total of nearly \$1 billion has been invested in over 430 rural and regional schools for new and upgraded facilities. This includes \$115 million allocated in the 2010-11 State Budget for capital works at 88 schools in regional and rural Victoria that are yet to receive <i>Victorian Schools Plan</i> (VSP) funding.</p> <p>The VSP funding is in addition to the Commonwealth Government's <i>Building the Education Revolution</i> funding which is providing funding to 591 schools in regional and rural Victoria through the <i>Primary Schools for the 21<sup>st</sup> Century</i> program.</p> <p>The 2010-11 State Budget also provides \$41 million to upgrade school facilities to increase the bushfire resistance of school buildings and ensure compliance with Bushfire Attack Level requirements.</p> <p>Indigenous students in regional and rural communities will also receive additional support through the <i>Closing the Gap for Indigenous Students</i> initiative. This initiative will see football and dance academies established in rural and regional locations to increase student engagement, retention and transition to future pathways for indigenous students.</p> <p>In addition there are a number of state-wide initiatives in the 2010-11 State Budget that will support regional and rural Victorians including; Improving Victoria's Early Childhood Workforce, Increase Access to Computers and Meeting increased demand for kindergarten enrolments.</p>

Source: *Department of Education and Early Childhood Development, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, p.102)*

Details relating to the Department's largest projects benefiting regional and rural Victorians, funded in the 2010-11 Budget, are set out in Table A4.2.

**Table A4.2: Projects benefiting regional and rural Victoria that received funding through the Department's 2010-11 Budget**

Initiative	2010-11 Budget (\$ million)	Purpose of project	How the funding is to be spent	Performance measures
Closing the Gap for Indigenous Students	1.7	To help close the gap in educational outcomes for Indigenous students by using football and dance to attract young people back to school, engage them whilst they finish their studies and assist them with the transition to the next stage of their lives.	The funding will contribute to the establishment of five Football Academies for Indigenous boys and three Dance Academies for Indigenous girls.	N/A
Victorian Schools Plan (VSP) relating to rural and regional areas	115.0	To support rural schools who play a vital role in their communities and to deliver the Government's commitment to replace/modernise facilities in rural schools.	VSP funding is provided for schools in rural and regional areas, through the secure the future of small rural schools, modernisation, regeneration and replacement school programs.	N/A
Bushfire protection and compliance	41.0	To upgrade school facilities to increase the bushfire resistance of school buildings and ensure compliance with Bushfire Attack Level requirements, which will be mostly provided for schools in rural areas.	Facilities in areas of bushfire risk will be upgraded to comply with the new bushfire standards. Design changes will be incorporated to increase the bushfire resistance of higher risk schools including protected gutters, window shutters, non-combustible masonry, deeper substructures and significantly thicker external cladding.	N/A

Source: Department of Education and Early Childhood Development, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, p.103)

## Department of Health

Key regional and rural issues for the Department into the future and a description of the resources provided in the 2010-11 Budget are shown in Table A4.3.

**Table A4.3: Critical issues facing regional and rural communities and 2010-11 Budget response**

Critical issues facing regional and rural communities in 2010-11	2010-11 Budget response
<p>Critical issues facing regional and rural communities in 2010-11 relate to the following:</p> <ul style="list-style-type: none"> <li>• health needs of rural and regional Victorians;</li> <li>• timely access to appropriate rural and regional hospital services;</li> <li>• physical capacity and the fabric of rural hospitals/health services for Victorians;</li> <li>• recruitment and retention of health professionals;</li> <li>• ageing trends in rural Victoria;</li> <li>• stronger prevention and early intervention capacity; and</li> <li>• meeting individuals' complex needs, including the needs of Indigenous Victorians, more effectively.</li> </ul>	<p>The Department's 2010-11 Budget addresses these issues through the following initiatives:</p> <ul style="list-style-type: none"> <li>• youth suicide prevention (rural);</li> <li>• youth early intervention teams (rural);</li> <li>• building workforce capacity in schools and early childhood services;</li> <li>• enhanced psychiatric triage;</li> <li>• building better mental health care for older people;</li> <li>• new acute inpatient beds;</li> <li>• significant capital investment in rural and regional areas, including: <ul style="list-style-type: none"> <li>– new Bendigo Hospital;</li> <li>– Ballarat Regional Integrated Care Cancer Centre;</li> <li>– Barwon Health: expanding health service capacity – Geelong and its southern health corridor;</li> <li>– Coleraine Hospital redevelopment; and</li> <li>– Leongatha Hospital redevelopment;</li> </ul> </li> <li>• greater access to the Victorian Patient Transport Assistance Scheme; and</li> <li>• new cardiac catheterisation facility at Ballarat Health Service.</li> </ul>

Source: Department of Health, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, pp.129–30)

Details relating to the Department's largest projects benefiting regional and rural Victorians, funded in the 2010-11 Budget, are set out in Table A4.4.

**Table A4.4: Projects benefiting regional and rural Victoria that received funding through the Department's 2010-11 Budget**

Initiative	2010-11 Budget (\$ million)	Purpose of project	Performance measures
New Bendigo Hospital	8.0 (473.0 revised TEI)	This project will redevelop the Bendigo Hospital and other associated Bendigo Health facilities, enabling them to function at contemporary standards, improve operational efficiency and deliver improved patient care according to recognised best practice. Funding is provided for a new acute hospital and mental health facility located on the historic Anne Caudle site, with the existing acute site refurbished for ambulatory care.	Project milestones completed on time and on budget.
Barwon Health: Expanding health service capacity – Geelong and its southern growth corridor	6.3 (33.6 revised TEI)	Funding is provided to expand acute capacity at Barwon Health's Geelong Hospital to meet current demand and capacity pressures. The expansion delivers the construction of a new inpatient wing, providing an additional 38 beds (32 new acute beds and 6 new beds in an intensive care unit). Funding is also provided for the purchase of land and planning for the development of a new stand alone community hospital to address the demands resulting from the rapidly expanding growth of Geelong's southern suburbs and the Surf Coast.	Project milestones completed on time and on budget.
Coleraine Hospital redevelopment	25.8	This project will see the redevelopment of acute, primary health and residential aged care facilities at the Coleraine Hospital. The redevelopment will include the addition of a new 15-bed high care extension as well as relocation of the existing acute and high care beds to a new building on the campus. The project also includes construction of a new engineering and kitchen facility.	Project milestones completed on time and on budget.

Source: Department of Health, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, p. 137)

## Department of Human Services

Key regional and rural issues for the Department into the future and a description of the resources provided in the 2010-11 Budget are shown in Table A4.5.

**Table A4.5: Critical issues facing regional and rural communities and 2010-11 Budget response**

Critical issues facing regional and rural communities in 2010-11	2010-11 Budget response
<p>The Department's resources are applied to the delivery of services that support all Victorians. The department continues to address the challenge of rural and regional service delivery to meet growing demands for human services in the most timely and responsive way.</p> <p>While demand pressures in rural and regional communities may differ in some ways from those in metropolitan areas, the core drivers of demand are essentially the same. However this does not mean that a single generic response will best serve individual communities.</p>	<p>Human Services programs address rural and regional service demand issues and resource allocation with reference to population, socio-economic status, indigenous status, prevalence of severe and profound disability, and location.</p> <p>Key regional and rural issues for human services into the future include:</p> <ul style="list-style-type: none"> <li>• Service accessibility – workforce recruitment and retention in regional and rural areas remains a focus across all human services programs to ensure service accessibility. In September 2009, the Victorian Government announced a \$77.2 million boost to child protection, which will increase the number of child protection workers and fund a new recruitment and quality training campaign. In addition, \$1.0 million will be provided over two years to develop and implement a targeted program to improve the attraction and retention rates of child protection workers across Victoria, particularly in regional and rural areas.</li> <li>• Housing affordability – this includes short-term impacts in many regional and rural communities, which continue to feel the effects of increased housing demand due to the Black Saturday bushfires. The Nation Building and Jobs Plan (NBJP) program continues to roll out across the State. Taking into consideration Victoria's revised allocation from the Commonwealth, Victoria now expects to see approximately 4,500 properties delivered under the NBJP by June 2012. A proportion of the funding under the NBJP is being used to improve the condition of current stock in rural and regional communities and increase the numbers of social housing. The Victorian government has supported the expansion of the National Rental Affordability Scheme (NRAS), which will see an additional 4,500 NRAS properties delivered across Victoria in phases two and three.</li> <li>• Ageing Carers - accommodation options for people with profound and severe disabilities in rural and regional areas where identification of appropriate sites, which address needs and locality concerns.</li> </ul>

Source: *Department of Human Services, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 11 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, p.154–5)*

The five largest existing departmental projects benefiting regional and rural Victoria, as shown in Table A4.6, address reform in the disability services sector. This action is aimed at reorienting the service system towards individually tailored packages of support, which addresses the specific needs of people with a disability and a number of large-scale nation building projects in rural and regional Victoria.

**Table A4.6: Projects benefiting regional and rural Victoria that received funding through the Department's 2010-11 Budget**

Project	Budget allocation 2010-11 (\$ million)	Purpose	Funding provides	Performance measures
The Victorian Bushfire Case Management Service (VBCMS)	55.0 for 2009-10 and 2010-11	The VBCMS was established on 13 February 2009 as a joint initiative of the Australian and Victorian governments in partnership with Local Governments and a large number of community service and community health organisations across Victoria. The aim of the VBCMS is to offer personalised and intensive support to meet the needs of individuals and families directly affected by the 2009 fires.	Case managers assist bushfire affected people to access to temporary and long term accommodation, grants, material aid, and counselling or other specialist support to address their trauma related needs.	Case managers operating. Active cases. Finalised cases.
Service reorientation – Individual Supports	Statewide allocation of 1.9 (7.8 over four years) for Individual Support Packages	The introduction and expansion of Individualised Supports is a key aspect of the Department's disability service reorientation project. Activities funded under Individualised Support provide flexible and self-directed supports for people to live in the community. Included in the Individual Supports Output are Individual Support Packages (ISP) which attach funding to the individual rather than to a service provider, delivering the individual maximum choice and control over their funding support.	The Department is currently working to allocate Individual Support Package (ISP) targets for 2010-11 to the regional level.	Performance measures and targets reflecting quantity, quality and timeliness of statewide ISPs are contained in the 2010-11 Budget Paper No. 3.
Traralgon	6.9	To increase social housing in rural and regional Victoria.	40 dwellings will be constructed over two levels (20 x one bedroom and 20 x two bedroom).	The performance of nation building projects will be measured against specific criteria for each project, however ultimately all nation building projects are scheduled to be delivered by June 2012.
Geelong	3.4	To increase social housing in rural and regional Victoria.	30 social housing units, which are part of a larger 98 unit development.	The performance of nation building projects will be measured against specific criteria for each project, however ultimately all nation building projects are scheduled to be delivered by June 2012.

Project	Budget allocation 2010-11 (\$ million)	Purpose	Funding provides	Performance measures
Mildura	5.5	To increase social housing in rural and regional Victoria.	25 apartments comprising seven dwellings for transitional accommodation (2 x two bedroom and 5 x one bedroom apartments plus two office facilities) and 18 dwellings for long term accommodation (6 x two bedroom and 12 x one bedroom apartments).	The performance of nation building projects will be measured against specific criteria for each project, however ultimately all nation building projects are scheduled to be delivered by June 2012.

Source: Department of Human Services, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 11 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, pp.156-7)

## **Department of Innovation, Industry and Regional Development**

Key regional and rural issues for the Department into the future and a description of the resources provided in the 2010-11 Budget are shown in Table A4.7.

**Table A4.7: Critical issues facing regional and rural communities and 2010-11 Budget response**

Critical issues facing regional and rural communities in 2010-11	2010-11 Budget response
Regional and rural communities face challenges including: <ul style="list-style-type: none"> <li>• a changing population;</li> <li>• a changing climate;</li> <li>• continuing to grow the economy; and</li> <li>• maintaining lifestyle.</li> </ul>	Initiatives to address these issues are anticipated as part of the release later in 2010 of the new Blueprint for regional Victoria.

Source: *Department of Innovation, Industry and Regional Development, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, p.184)*

The Department advised the Committee in May 2010 that initiatives are anticipated as part of the release later in 2010 of the new Blueprint for Regional Victoria.<sup>1</sup>

## **Department of Justice**

Key regional and rural issues for the Department into the future and a description of the resources provided in the 2010-11 Budget are shown in Table A4.8.

<sup>1</sup> Department of Innovation, Industry and Regional Development, response to the Committee's 2010-11 Budget Estimates questionnaire – Part B, received 7 May 2010, p.19

**Table A4.8: Critical issues facing regional and rural communities and 2010-11 Budget response**

Critical issues facing regional and rural communities in 2010-11	2010-11 Budget response
<p>Victoria's population growth is increasing the need for access to services in large regional centres (such as Ballarat, Geelong and Bendigo); yet demand for services in rural areas will continue (for example in the sparsely populated Western end of the Grampians). This presents challenges in terms of resource allocation to provide coverage of justice services for the whole state, whether it be access to courts and correctional facilities or information, advice and counselling services.</p> <p>A number of areas in regional Victoria undergo significant population fluctuation during holiday and other peak periods. The Surf Coast, Alpine Region and the Gippsland Lakes are some of the areas subject to this phenomenon. This variation puts pressure on a range of Justice services (such as police, emergency services and consumer affairs) in terms of planning and service delivery for these peak periods.</p> <p>Regional Victoria will experience the impact of ageing population earlier and faster than Melbourne with related mobility, dependency and health issues (including mental health issues). There are some areas of disadvantage in regional areas including Barwon South West, Loddon Mallee and Gippsland.</p> <p>Many regional areas have significant indigenous populations that are disadvantaged. Shepparton in the Hume region, the Barwon South West region and Gippsland have significant indigenous populations that are disadvantaged.</p> <p>New communities are emerging in Victoria with particular needs. For example, Cobram in the Hume region is the favoured resettlement destination for people from the Middle East and Shepparton has a diverse community with refugees from Iraq, Afghanistan, Sudan and Democratic Republic of Congo settling in the area.</p> <p>Weather related emergencies are becoming more frequent and severe. The major challenges facing Justice are responding appropriately to these emergencies when they occur and also contributing to the community rebuilding if required after the event.</p>	<p>The Department has adopted a regional management structure which commenced 1 July 2009.</p> <p>The regional structure is aimed at making it easier for local communities to access Justice services through regional offices and new justice service centres across Victoria.</p> <p>The structure also provides for efficiencies in operations over the years through service integration; more effective ways of delivering services; and constant monitoring of demand on Justice services brought on by these critical issues.</p> <p>Funding has been allocated in the 2010-11 Budget for a new sexual assault, multi-disciplinary centre in Geelong; to replace Trafalgar and Daylesford-police stations, provide a new station at Loch Sport; and to acquire land for a new police station in Echuca.</p> <p>Funding has also been allocated for the transition of Ambulance Victoria and Victoria Police regional call taking and dispatch capabilities to the Emergency Services Telecommunications Authority (ESTA). This will provide for the release of 66 sworn officers to operational duties and will increase emergency response capability to regional communities.</p> <p>The 2010-11 Budget also contains initiatives to assist regional communities for bushfire preparedness activities. It provides \$41.8m over two years for community education and engagement in bushfire preparations, \$28.5 million to upgrade and improve bushfire warnings and \$9.2 million to enable the CFA to advise private land owners (including local councils and government agencies) on vegetation management.</p> <p>The 2010-11 Budget also provides \$2 million for the development of a Legal Services Masterplan. The Masterplan will provide a plan for the future of the Supreme Court, existing court complexes in Wangaratta, Shepparton and Bendigo, as well as assessing the need for courts in growth areas including Whittlesea, Werribee and Dandenong. It will also assess the future accommodation needs of the Office of Public Prosecutions and the expansion of the Child Witness Service. This will make access to justice simpler and quicker for Victorians in regional areas.</p>

Source: *Department of Justice, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, pp.210–1)*

The five largest departmental projects benefiting regional and rural Victoria, funded through the 2010-11 Budget, are shown in Table A4.9.

**Table A4.9: Projects benefiting regional and rural Victoria that received funding through the Department's 2010-11 Budget**

<b>Building Confidence in Corrections</b>						
<b>Budget allocation for 2010-11</b>						
<b>Existing (from 2008-09 cycle)</b>						
	2008/09	2009/10	2010/11	2011/12	TOTAL	
Output	53.2	65.1	73.3	83.0	-	
Asset TEI	78.2	92.3	98.8	44.4	316.6	
Gross Amount						
<b>Purpose</b>						
Funding is provided to expand the male prison system and ensure sufficient capacity to meet future demand in the corrections system. Output funding will expand post release housing and support initiatives to reduce the risk of re-offending.						
<b>How funding is to be spent</b>						
Funding is spent across the State, and hence has significant impact on regional Victoria, in particular Ararat, where a new 350-bed prison is to be constructed during the forward estimates period.						
<b>Performance measures</b>						
This initiative relates to the BP3 Output of <i>Prisoner Supervision</i> and contributes to the quantity measures under: <ul style="list-style-type: none"> <li>• <i>Average Daily Prison utilisation rate of total prison capacity; and</i></li> <li>• <i>Total annual daily average numbers of prisoners</i></li> </ul> It also relates to the BP3 Output of Support and Community Based Offender Supervision and contributes to the quantity measure <i>Average daily offenders under community based supervision</i> .						
<b>Project 000 Response</b>						
<b>Budget allocation for 2010-11</b>						
<b>Existing (from 2009-10 cycle)</b>						
	2009/10	2010/11	2011/12	2012/13	TOTAL	
Output	31.3	25.4	23.2	18.9	-	
Asset TEI	7.7	6.7	-	-	-	
Gross Amount						
<b>Purpose</b>						
Maintain and improve Emergency Services communications for the public and between emergency services organisations, particularly in rural and regional Victoria.						
<b>How funding is to be spent</b>						
Funding is provided to: <ul style="list-style-type: none"> <li>• the Emergency Services Telecommunications Authority (ESTA) for regional call taking and dispatch for emergency services (VICSES, CFA and Ambulance Victoria);</li> <li>• VICSES for new radios; and</li> <li>• supply of Emergency Alert System pager capability.</li> </ul> Regional and rural call taking and dispatch is largely undertaken through ESTA's Ballarat call centre.						
<b>Performance measures</b>						
This initiative relates to the BP3 Output of <i>Emergency Management Capability</i> and contributes to the timeliness measures under <i>Emergency response times meeting benchmarks</i> . This initiative will provide for safer communities in regional Victoria including by contributing to: <ul style="list-style-type: none"> <li>• The achievement of the Office of the Emergency Services Commissioner's standard for emergency response times;</li> <li>• The ability of emergency services workers and volunteers to respond efficiently to emergencies; and</li> <li>• Improved safety for emergency services workers and volunteers.</li> </ul>						

<b>Victoria Police Physical Assets Building – Regional Police Stations Program</b>						
<b>Budget allocation for 2010-11</b>		<b>Purpose</b>	<b>How funding is to be spent</b>	<b>Performance measures</b>		
<b>Existing</b> (from 2009-10 cycle)						
	2009/10	2010/11	2011/12	2012/13	2013/14	TOTAL
Output	0.4	0.8	1.5	2.1	-	-
Asset TEI	7.8	6.0	10.0	3.7	-	27.5
Gross Amount						
<b>New</b> (from 2010-11 cycle)						
	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
Output	-	-	-	-	-	-
Asset TEI	1.3	7.3	0.7	-	-	9.3
Gross Amount						
<b>Integrated Statewide 000 Emergency Communications</b>						
<b>Budget allocation for 2010-11</b>		<b>Purpose</b>	<b>How funding is to be spent</b>	<b>Performance measures</b>		
<b>New</b> (from 2010-11 cycle)						
	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
Output	6.8	8.7	10.7	10.8	-	-
Asset TEI	0.7	0.7	-	-	-	1.4
Gross Amount						

Country Fire Authority Radio Replacement						
Budget allocation for 2008-09						
Existing (from 2008-09 cycle)						
	2008/09	2009/10	2010/11	2011/12	TOTAL	
Output	-	-	-	-	-	
Asset TEI	2.3	13.5	25.8	15.1	56.7	
Gross Amount						
<b>Purpose</b>	<p>In anticipation of future needs of its existing radio fleet, the Country Fire Authority enacted a pro-active strategy to replace its mobile and portable radio terminals in a phased project. The current model of radio used by the CFA is no longer produced, and so it was necessary to begin a process to replace them in coming years. The radios enable the maintenance of radio communications with fire crews including the provision of vital information on weather and fire status. They also enable command and control functionality through coordination of resources and exchange of information.</p>					
<b>How funding is to be spent</b>	<p>To date, spending has been in relation to the scoping and tendering phases of the project, as per the original project timeline. The purchase phase of the project is on track to start in the latter half of 2010. Over the life of the project, the Country Fire Authority will purchase:</p> <ul style="list-style-type: none"> <li>• mobile/fixed terminals and radios (of which a number will receive minor upgrades ensuring future DSE interoperability)</li> <li>• command data radios</li> <li>• in-vehicle repeaters, and</li> <li>• field repeaters.</li> </ul>					
<b>Performance measures</b>	<p>This initiative relates to the BP3 Output of <i>Emergency Management Capability</i> and contributes to the timeliness measures under <i>Emergency response times meeting benchmarks</i>. This initiative will support CFA by:</p> <ul style="list-style-type: none"> <li>• preserving service delivery;</li> <li>• ensuring no increase in OH&amp;S claims due to radio unreliability or failure;</li> <li>• ensuring efficient use of resources;</li> <li>• maintaining confidence in the radio system; and</li> <li>• ensuring no exit of volunteers due to radio unreliability or failure.</li> </ul>					

Source: Department of Justice, response to the Committee's 2010-11 Budget Estimates Questionnaire, received 7 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, pp.212-3)

## Department of Planning and Community Development

Key regional and rural issues for the Department into the future and a description of the resources provided in the 2010-11 Budget are shown in Table A4.10

**Table A4.10: Critical issues facing regional and rural communities and 2010-11 Budget response**

Critical issues facing regional and rural communities in 2010-11	2010-11 Budget response
<p>Communities in regional Victoria are diverse in nature ranging from small towns through to large urban growth areas. These communities generally share a number of characteristics such as greater community strength and higher rates of participation in community activity. However, regional and rural communities often exhibit a number of vulnerabilities such as isolation and higher rates of relative social disadvantage than metropolitan Melbourne.</p> <p>Regional and rural communities are facing significant changes in the structure of their economies, demographics and in their relationship to the environment. Many communities are also increasingly vulnerable to crises such as bushfire and floods.</p> <p>The Department provides information services such as demographic information and population projections for all parts of regional Victoria. Research is also conducted into a range of regional and rural issues such as housing, employment, and social disadvantage.</p> <p>Regional and rural Victoria depend on this type of information to undertake planning activities for land use, settlement planning, infrastructure and service planning, and community development in Government, private and not-for-profit sectors.</p> <p><u>Population growth</u></p> <p>Many regional communities are growing strongly. Planning for regional growth and the associated infrastructure will demand better coordination and regional planning involving all levels of government to develop leveraged joint responses to critical issues.</p> <p>Critical issues facing regional and rural communities in the near future that relate to services provided by the Department include:</p> <ul style="list-style-type: none"> <li>• developing integrated local and regional partnership approaches to addressing issues and opportunities, through Regional Management Forums;</li> <li>• providing planning policy and Regional Management Forum input to contribute to the Regional Strategic Planning Initiative and Regional Plans (led by Regional Development Victoria);</li> <li>• working with local government to ensure adequate community facilities (including libraries, community centres and sporting facilities) in growing communities; and</li> <li>• building the capacity of local and regional organisations, especially local councils and economic development and other bodies. The Councils Reforming Business program assists councils to develop and implement new programs to boost efficiency, reduce costs and provide better services to communities.</li> </ul>	<p>The Department's 2010-11 Budget initiatives include:</p> <ul style="list-style-type: none"> <li>• \$3 million to continue to fund new public library buildings and the extension and refurbishment of existing facilities under the Living Libraries program;</li> <li>• \$3.6 million over four years to streamline major infrastructure project delivery by assisting project proponents and government agencies through cultural heritage management plan processes for major projects of state importance, and to support a suite of accredited Aboriginal cultural heritage management training programs;</li> <li>• \$22.8 million over four years to extend current Transport Connections projects for three years and develop six new projects;</li> <li>• further funding for the Community Facilities Funding Program which supports the provision of sport and recreation facilities across Victoria; and</li> <li>• \$4 million over two years for the Sport and Recreation Climate Adaptation Program to respond to the impacts of the drought on community sport and recreation grounds and surfaces including in regional and rural areas.</li> </ul>

2010-11 Budget response	Critical issues facing regional and rural communities in 2010-11
	<p><u>Population ageing and youth migration</u></p> <p>Victoria's population is ageing. The proportion of older people in regional and rural areas is greater than in metropolitan Melbourne, and the challenges of a rapidly ageing population are being felt more sharply in these communities. Young people tend to migrate from regional areas to Melbourne to seek educational, employment and social opportunities.</p> <p>Critical issues facing regional and rural communities in the near future that relate to services provided by DPCD include:</p> <ul style="list-style-type: none"> <li>• reducing social isolation through programs such as Men's Sheds, Universities of the Third Age and Neighbourhood Houses;</li> <li>• developing transport solutions to reduce barriers to accessing services and social networks. The Department is working with the Department of Transport and other departments to address this challenge through the Transport Connections program;</li> <li>• raising community awareness of elder abuse through implementing the Elder Abuse Prevention Strategy, with a focus on ensuring state-wide coverage of the Seniors Rights Victorian information and advocacy service, professional education, financial literacy and community awareness initiatives; and</li> <li>• encouraging young people to stay in or return to regional areas, through fostering key points of connection between individuals and their communities (such as local football and netball teams), as addressed through programs such as FReeZA, FReeZACentral, Youth Participation and Access, Youth Foundations, Advance, Mentoring and Capacity Building and Young People Direct.</li> </ul> <p><u>Ability of regional and rural communities to adapt to change and plan for the future</u></p> <p>Regional and rural communities need to be able to navigate and adapt to the changes and challenges that they face, and plan for the future. Building community resilience and capacity enables communities to respond to the effects of industry restructuring, population changes, drought, water shortages and crises such as floods and bushfire.</p> <p>Critical issues facing regional and rural communities in the near future that relate to services provided by DPCD include:</p> <ul style="list-style-type: none"> <li>• aiming to increase participation in sport and recreation to provide opportunities for social connection by supporting the provision of community sporting facilities in rural and regional communities, including mitigating the effects of drought on sport and recreation clubs and facilities;</li> <li>• supporting rural women to play a significant role in communities affected by drought and ongoing climate change. The Rural Women Leading Change initiative brings local women together around common issues to build stronger, active and more inclusive communities;</li> <li>• fostering the capacity and skills of regional and rural communities to identify and address their own needs and implement community planning processes through the Community Building Initiative and Community Renewal programs;</li> <li>• developing the capability of individuals to lead and participate in community life. Volunteers deliver a crucial range of community services in emergencies and in aspects of community life such as sport and recreation, education, environmental stewardship and sustainability, health and welfare, arts and heritage, local governance and advocacy;</li> <li>• providing appropriate information and technical support for community-level planning and decision making. Access to high quality information, research and expert interpretation is a critical need for regional agencies and community organisations. Through its Urban Development Program DPCD provides the <i>Victoria in Future</i> population and household projections and develops land supply and demand information;</li> </ul>

	2010-11 Budget response
<p><b>Critical issues facing regional and rural communities in 2010-11</b></p> <ul style="list-style-type: none"> <li>• supporting improved rural planning responses by local councils to structural change. DPCD has supported the Future Farms Rural Planning Group to identify and plan for future scenarios for farming and farming communities; and.</li> <li>• providing locally accessible skills development and training opportunities to support employment and economic participation through Adult Community Education (ACE) providers offering accredited and pre-accredited training.</li> </ul> <p><u>Disadvantage</u></p> <p>Rural and regional communities face a particular set of disadvantages relating to access to services, transport, education and employment. In particular, the need to coordinate effort across agencies and levels of government remains a challenge.</p> <p>Critical issues facing regional and rural communities in the near future that relate to services provided by DPCD include:</p> <ul style="list-style-type: none"> <li>• providing access to education and training opportunities. In many small rural communities, ACE providers are a critical point of access to education, training and informal learning to develop skills;</li> <li>• taking a holistic, place-based approach to addressing disadvantage through combining physical and community development agendas and coordinating a whole-of-government response;</li> <li>• ensuring that Indigenous Victorians have opportunities to participate in identifying issues, priority setting and planning for their communities, through facilitating Local Indigenous Networks (LINs) and Regional Indigenous Councils;</li> <li>• working closely with the Victorian Bushfire Reconstruction and Recovery Authority regarding the allocation of \$4.6 million from the Community Support Fund (2009-10 State Budget) to provide community infrastructure in bushfire affected communities; and</li> <li>• providing support to local government to ensure that all Victorians, regardless of where they live, have access to high quality public library services.</li> </ul>	

Source: Department of Planning and Community Development, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, pp.235–8)

Table A4.11 shows the two largest departmental projects benefiting regional and rural Victoria funded through the 2010-11 Budget.

**Table A4.11: Projects benefiting regional and rural Victoria that received funding through the Department's 2010-11 Budget**

Initiative	2010-11 Budget (\$ million)	Purpose of project	How the funding is to be spent	Performance measures
Transport Connections 2010-2020	4.5	<p>Funding is provided to extend and expand the Transport Connections Program as outlined in the 2008 Victorian Transport Plan. The initiative will:</p> <ul style="list-style-type: none"> <li>• extend the current 32 local projects in rural and regional areas for three years;</li> <li>• establish six new projects in interface and metropolitan fringe areas;</li> <li>• establish regional teams with specialist and technical expertise in transport and mobility to embed solutions at a regional level; and</li> <li>• establish an innovation fund to provide grants to test and establish sustainable local and regional initiatives.</li> </ul>	Thirty-two current projects will be invited to be extended for up to three years.	Number of Transport connections projects supported.
Geelong Transit Cities – Stage 3	5.3	Funding is provided to construct a government services building next to Geelong Railway Station. The building will meet long-term Government accommodation needs and serve to stimulate private sector activity in the Geelong development market.	Funds will enable the purchase and release of land to developers, relocation of major services and fit-out of office space for Government tenants.	Projects delivered against agreed project implementation plans - 80%.

Source: Department of Planning and Community Development, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 7 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, pp.238–9)

## Department of Premier and Cabinet

Key regional and rural issues for the Department into the future and a description of the resources provided in the 2010-11 Budget are shown in Table A4.12.

**Table A4.12: Critical issues facing regional and rural communities and 2010-11 Budget response**

Critical issues facing regional and rural communities in 2010-11	2010-11 Budget response
<p><u>Multicultural Affairs</u></p> <p>Population growth and its impact on the provision of adequate support services and structures for refugee communities.</p>	<p>Funding for the Vulnerable Refugee Action Program will address the issue of population growth's impact on refugee communities through funding regional areas in Victoria to work with local refugee communities, service providers and the wider community to:</p> <ul style="list-style-type: none"> <li>• foster social inclusion;</li> <li>• develop capacity-building activities in local refugee communities;</li> <li>• assist refugee communities to engage with mainstream service providers; and</li> <li>• increase communities' knowledge of mainstream service provision.</li> </ul>
<p><u>Arts</u></p> <p>The Touring Victoria Program has identified an increased number of applications for the Guarantee against Loss program which provides financial security against box office loss for venues and organisations that present professional performing arts productions. There is also anecdotal evidence of recent drought and economic conditions impacting negatively on the level of subscriptions to regional performing arts performances.</p>	<p>Professional arts programming is delivered in regional Victoria through a network of galleries and performing arts centres, most of which are owned and operated by local government. Arts Victoria provides critical support to those programs through:</p> <ul style="list-style-type: none"> <li>• the Local Partnerships Program: financial support delivered by agreements with the councils (representing approximately 10% of operational cost) in return for agreed programming and service delivery outcomes;</li> <li>• Touring Victoria, which provides financial support to producing companies for arts product that will go on tour including to the regional venues; and</li> <li>• organisational support to a number of major arts companies that assists in their programs and including tours to regional centres.</li> </ul>
<p><u>Victorian Bushfire Reconstruction and Recovery Authority (VBRRA)</u></p> <p>Reconstruction and recovery activities and community engagement in fire affected communities, and developing programs that attract business activity back to fire affected communities.</p>	<p>Reconstruction and recovery activities in bushfire affected areas include:</p> <ul style="list-style-type: none"> <li>• Rebuilding Advisory Centres and mobile advisory service;</li> <li>• ongoing operation of temporary villages; and</li> <li>• overseeing the Restoration of Community Facilities.</li> </ul> <p>Community engagement in bushfire affected areas include:</p> <ul style="list-style-type: none"> <li>• a range of community events for bushfire- affected people to attend;</li> <li>• bereaved community recovery; and</li> <li>• leadership development for Community Recovery Committees.</li> </ul> <p>Developing programs that attract business activity back to fire affected communities include:</p> <ul style="list-style-type: none"> <li>• Business Advisory Services;</li> <li>• Marysville Central retail precinct; and</li> <li>• Investment facilitation.</li> </ul> <p>VBRRA-wide services include:</p> <ul style="list-style-type: none"> <li>• communications; and</li> <li>• local council capacity building.</li> </ul>

Source: Department of Premier and Cabinet, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, pp.253–4)

Table A4.13 shows the two largest departmental projects benefiting regional and rural Victoria funded through the 2010-11 Budget.

**Table A4.13: Projects benefiting regional and rural Victoria that received funding through the Department's 2010-11 Budget**

Initiative	Budget allocation (\$ million)	Purpose of project	How the funding is to be spent	Performance measures
Victorian bushfire reconstruction and recovery	7.3 (Existing projects, recurrent for VBRRA extension of activities on projects in regional and rural areas)	Program funding to support VBRRA reconstruction and rebuilding activities, community engagement and attraction of business activity in bushfire affected areas.	VBRRA funding is spent on reconstruction and recovery activities in bushfire affected areas. Activities include Rebuilding Advisory Centres and mobile advisory service, ongoing operation of temporary villages, and overseeing the restoration of community facilities. Community engagement in bushfire affected areas include a range of community events for bushfire-affected people to attend, bereaved community recovery and leadership development for Community Recovery Committees. Developing programs that attract business activity back to fire affected communities, Business Advisory Services, Marysville Central retail precinct and investment facilitation.	Delivery of bushfire reconstruction and recovery projects within agreed timelines.
Local Partnerships Program	3.5 (Extension of existing program)	Financial support towards the cost of providing the cultural programs offered at regional art galleries and performing arts centres	Direct payments to municipal councils that own/operate the venues (or to the two regional galleries that are not council owned). Delivered through Memoranda of Understanding with 20 participating councils in regional Victoria (to be extended to a further 2 regional Councils in 2010-11).	Agreed programming and service delivery outcomes negotiated with each participating council and assessed through a range of reporting requirements including the Victorian Arts Industry Checklist and regular program monitoring of each venue.

Source: Department of Premier and Cabinet, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, p.255)

## Department of Primary Industries

Key regional and rural issues for the Department into the future and a description of the resources provided in the 2010-11 Budget are shown in Table A4.14.

**Table A4.14: Critical issues facing regional and rural communities and 2010-11 Budget response**

Critical issues facing regional and rural communities in 2010-11	2010-11 Budget response
<p>The critical issues facing regional and rural communities of relevance to DPI's services are the challenges and opportunities presented by:</p> <ul style="list-style-type: none"> <li>• input costs and the method of access to skilled labour, capital, stock, fuel, fodder, etc and the effects of these on farm and timber business cashflows, profitability and equity;</li> <li>• prospective and uncertain changes to water entitlements, allocations and reliability arising from the Murray Darling Basin Plan;</li> <li>• competition and trade and effects on market access (nationally and internationally) and export market volatility;</li> <li>• application of new technologies and practices by farm businesses to take advantage of opportunities, respond to emerging risks and achieve ongoing improvements in productivity;</li> <li>• climate change and its effects on primary industries production systems, and the sustainability of environmental systems;</li> <li>• securing and attracting investment in regional and rural areas, in particular ensuring economic benefits are derived in areas such as Gippsland;</li> <li>• bushfire recovery for primary producers and the timber industry;</li> <li>• demographic and social change and shifts in land use, rural and regional economic drivers, and regional and economic and social diversity.</li> </ul> <p>These issues face all regional and rural Victorians to varying degrees, irrespective of location.</p>	<p>The <i>Future Farming Strategy</i> continues to provide significant additional funding to the Department to enable it to address many of issues that have been identified as critical.</p> <p>Ongoing initiatives include:</p> <ul style="list-style-type: none"> <li>• \$98.6 million over five years to boost productivity through new technology and changes in farming practices – 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.</li> <li>• \$11.4 million over four years to help farm businesses plan for and adapt to climate change and to provide farmers in key industries with new technologies and strategies to adapt their farming systems to future climatic conditions.</li> <li>• \$182.0 million over six years for Energy Technology Innovation Strategy Large Scale Demonstration Carbon Capture Storage and Sustainable Energy programs which support the development of new energy technologies in regional and rural areas to lower emissions and to secure Victoria's energy future.</li> </ul> <p>In addition to this funding, the Department's 2010-11 Budget has been shaped to match the ongoing realignment of the Department's activities to assist Victoria's regional and rural communities develop the capacity and capabilities to manage the challenges faced and to take advantage of the opportunities presented.</p>

Source: Department of Primary Industries, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, p.270)

Table A4.15 shows the two largest departmental projects benefiting regional and rural Victoria funded through the 2010-11 Budget.

**Table A4.15: Projects benefiting regional and rural Victoria that received funding through the Department's 2010-11 Budget**

Name of project	Existing / New	2010-11 estimated funding (\$ million)	Summary	Performance measures
Securing and Developing Services to Farmers	Existing	17.0	Approved under the <i>Future Farming Strategy</i> in the 2008-09 Budget, this is a key government initiative to develop innovation technologies for the sustainable development of Victoria's food and agriculture.	This initiative is accounted for under a number of performance measures introduced in the 2008-09 Budget. Specific performance measures under the Strategic and Applied Scientific Research Output include 'New key enabling technologies and core science capacity competencies established / upgraded by DPI' and 'Postgraduate level PhD students in training by DPI'.
HRL Integrated Drying Gasification Combined Cycle Power Plant	Existing	10.3	The project will build and operate a 550 MW demonstration plant designed to produce power with around 30 per cent less carbon dioxide emissions than current best practice brown coal generation plants, in the Latrobe Valley.	This initiative is accounted for under a number of performance measures. A specific performance measure under the Primary Industries Policy is 'Facilitate delivery of milestones in line with grant agreements for the Energy Technology Innovation Strategy large-scale demonstration projects'.
Weeds and Pests	Existing	9.6	Funding to continue the improvement of the management of weeds and pests on public and private land across Victoria, and reduce the number of weeds and pests outbreaks.	There are a number of performance measures under the Regulation and Compliance Output which assess weeds and pests control.
Greenearth Geothermal Energy Project	Existing	4.0	This two stage project will be Victoria's largest demonstration geothermal power plant connected to the grid.  Stage 1 will involve drilling a deep geothermal production well, an injection well plus flow testing.	This initiative is accounted for under a number of performance measures. A specific performance measure under the Primary Industries Policy is 'Facilitate delivery of milestones in line with grant agreements for the large-scale Sustainable Energy demonstration program'.

Source: Department of Primary Industries, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, p.271)

## Department of Sustainability and Environment

Key regional and rural issues for the Department into the future and a description of the resources provided in the 2010-11 Budget are shown in Table A4.16.

**Table A4.16: Critical issues facing regional and rural communities and 2010-11 Budget response**

Critical issues facing regional and rural communities in 2010-11	2010-11 Budget response
<p>The critical issues facing regional and rural communities in 2010-11 relate to delivering on the Water Plan, fire management, managing the impact of climate change on the environment and managing the Parks estate.</p>	<p>The Department's 2010-11 Budget addresses these issues by delivering major water infrastructure projects as part of the water plan in order to secure Victoria's water resources from the increased pressure of climate change and ongoing drought such as:</p> <ul style="list-style-type: none"> <li>• the Northern Victoria Irrigation Renewal Project; and</li> <li>• the Victorian Desalination Plant.</li> </ul> <p>Many new employment opportunities will be created in regional Victoria through new initiatives in the 2010-11 financial year. For example, the capital works program on the Hume Dam is estimated to create 151 new jobs for local contractors.</p> <p>In addition, the Government has committed to providing free entry into the State's National and metropolitan parks, giving all Victorians the opportunity experience Victoria's extensive parks network.</p>

Source: *Department of Sustainability and Environment, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, pp.289–90)*

The Department advised the Committee that it is overseeing a number of projects which benefit regional and rural Victoria. Two key projects with significant expenditure are outlined below.

### Victorian Desalination Project

Victoria has experienced the worst drought and lowest stream flows in history. The Government's Water Plan combines a range of projects to save, recycle, distribute and create water. By introducing supply from more than one source, including rainfall independent sources such as desalination, the new projects provide security through diversity of water supply.

Australia's largest desalination plant near Wonthaggi will supply up to 150 billion litres of water a year to Melbourne, Geelong and, via other connections, South Gippsland and Western Port towns. It will be capable of providing around a third of Melbourne's annual water supply from a source that is independent of rainfall.

The plant will be constructed and operated through a Public Private Partnership. The Victorian Government selected the AquaSure consortium, consisting of Suez Environment, Degremont, Thiess and Macquarie Capital Group to build and operate the desalination plant.

Desalination jobs and supply contracts mean economic benefits will flow from the project with increased employment and spending at a State and local level. The project is expected to create:

- 4,750 full-time equivalent jobs — 1,700 direct and as many as 3,050 indirect - during construction of the plant;
- 150 full-time equivalent jobs — 50 direct and 100 indirect - to support the ongoing operation, maintenance and servicing of the plant; and

- \$1.0 billion economic boost to Victoria during construction.

A significant number of construction and operational jobs will go to local and regional people. There will also be further indirect jobs for local and regional people.

The construction phase is expected to spur the local economy with demand from a new workforce for housing, products from local suppliers, and business for retailers, cafes, fuel suppliers, caterers and other service providers.

Preliminary works have already seen more than \$30 million in contracts awarded to local companies. This resulted in at least 35 jobs and increased business to local suppliers through sub-contracts in areas such as road construction, waste services, plumbing, electrical, transport and engineering.

#### Northern Victoria Irrigation Renewal Project (Stage One) [NVIRP].

This project, also known as the Food Bowl Modernisation Project, was announced as part of the Victorian Water Plan. Stage One, to be delivered by December 2012, will modernise Victoria's food bowl region and upgrade its ageing irrigation infrastructure, and will deliver a long-term average of 225GL of water savings to be shared equally between the environment, irrigators and Melbourne.

The NVIRP has also created:

- an expected 680 FTE working on the associated projects by the end of the 2010-11 financial year, as noted on page 120 of the NVIRP Business Case, with the majority of these people being employed from the regional centres where the projects are taking place; and
- a range of economic and environmental benefits from improved water security such as:
  - retaining and attracting agricultural and related businesses including associated employment opportunities;
  - environmental flows to provide ongoing security for diverse aquatic environments in the region;
  - increases in the number of skilled workers in northern regional Victoria; and
  - the economic value of avoiding stage 4 water restrictions in Melbourne, for example jobs in the turf industry, pool and spa industry, commercial car washes and nursery and garden industries.

In 2010-11, budgeted asset expenditure is \$165.0 million.<sup>2</sup>

### **Department of Transport**

Key regional and rural issues for the Department into the future and a description of the resources provided in the 2010-11 Budget are shown in Table A4.17.

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<sup>2</sup> Department of Sustainability and Environment, *response to the Committee's 2010-11 Budget Estimates questionnaire – Part B*, received 5 May 2010, pp.21-2

**Table A4.17: Critical issues facing regional and rural communities and 2010-11 Budget response**

Critical issues facing regional and rural communities in 2010-11	2010-11 Budget response
<p><u>Population Growth and Change</u></p> <p>Over the coming decades, regional Victoria's population will continue to grow. By 2036, nearly 1.85 million people are projected to be living in regional Victoria, up from 1.44 million people in June 2009.</p> <p>Areas within a 150 kilometre radius of Melbourne (in particular the regional centres of Geelong, Ballarat and Bendigo) and 'lifestyle' locations, particularly in coastal areas such as the surf coast, the Bass Coast, Warrnambool and Gippsland, are also expected to grow more strongly than other areas of regional Victoria.</p> <p>This growth brings growing demand for travel within the regional centres, from the surrounding settlements into regional centres, and between the major centres and Melbourne. The fabric of these regional centres will become more city-like with more and different travel patterns over time.</p> <p>Population decline has also occurred and is expected to continue in some parts of regional Victoria, most notably in remote and dryland farming areas.</p> <p>Supporting these communities to maintain access to key activities, services and opportunities, particularly to their nearest regional centres is a critical issue.</p> <p>By 2036, 18.5 per cent of the population of regional Victoria will be aged 75 years or more. In many small and medium-sized towns and rural communities the proportion of older people will be even higher.</p> <p>Supporting regional Victoria's seniors to maintain mobility and access, in particular those who reduce or stop driving, is a growing challenge.</p> <p><u>Economic Growth and Change</u></p> <p>Regional Victoria is seeing growth in industries such as retail, business and professional services and health and community services. New emerging industries include nature-based tourism, mineral sands, biotechnology and clean energy development. These emerging industries complement regional Victoria's economic mainstays, which include: dairy, timber, mineral sands, coal, agriculture and tourism.</p> <p>The efficient movement of freight around Victoria and to and from interstate and international market-places is a key contributor to the prosperity and liveability of Victoria.</p> <p>As Victoria's regional economy grows and evolves, so too does the freight task in response. Currently, road trucks carry most of the freight in Victoria by volume, moving 89 per cent of the task in tonnes. Sea and rail represent 9 per cent and 2 per cent respectively, while air freight moves only 0.1 per cent of the task in tonnes.</p> <p>The efficient movement of freight on Victoria's road, rail and port systems is essential for the State's continued economic growth. As regional centres and Melbourne's fringe areas continue to grow, Victoria's roads need to manage a greater volume of movement.</p>	<p>The 2010-11 Budget continues to provide transport investment to support growth in regional Victorian communities and industries, including:</p> <ul style="list-style-type: none"> <li>• \$5 million TEI for a road upgrade package in the Green Triangle region of south-western Victoria to support a trial of high productivity freight vehicles;</li> <li>• \$4.3 billion TEI on the Regional Rail Link project to provide substantial increases in capacity and reliability for Geelong, Ballarat and Bendigo services;</li> <li>• \$2 million TEI for planning to expand the port facility at Hastings to cater for the growth in demand for container, bulk and non-bulk handling capacity in the State;</li> <li>• \$15 million TEI for the entire length of the Colac-Lavers Hill Road from Elliminyt to Lavers Hill to undertake repairs and provide overtaking opportunities and shoulder sealing, in partnership with the Commonwealth Government to improve safety for all road users;</li> <li>• \$175 million total TEI investment towards Princes Highway East Upgrade – Traralgon to Sale as part of the Nation Building (AusLink2) program in partnership with the Commonwealth Government;</li> <li>• \$76.9 million to build Geelong Ring Road Stage 4C, linking Geelong Ring Road Stage 4B with the Surf Coast Highway; and</li> <li>• \$52.3 million to deliver new and improved road links and overtaking lanes in regional Victoria, leading to improvements in safety, road network connectivity, and freight efficiency on the regional road network.</li> </ul>

Source: Department of Transport, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, pp.316–7)

Table A4.18 shows the five largest departmental projects benefiting regional and rural Victoria funded through the 2010-11 Budget.

**Table A4.18: Projects benefiting regional and rural Victoria that received funding through the Department's 2010-11 Budget**

Project	2010-11 Budget (\$ million)	Comment <sup>(a)</sup>
Regional Rail Link (new)	510	The project will construct a dual track link of up to 50kms from West Werribee to Southern Cross Station, including new stations at Tarneit and Wyndham Vale. This will deliver extra capacity for an additional 9 000 regional and suburban passengers every hour, and increase transport capacity and reliability for Geelong, Ballarat and Bendigo.  This project is jointly funded by the Commonwealth and State Governments.  This funding is for capital expenditure.
Western Highway Upgrades (existing)	128	Three projects along the Western Highway are being delivered to improve the efficiency of freight movements, improve safety for all road users, provide better access to local facilities and reduce traffic volumes on regional roads. These projects include the Western Highway duplication between Ballarat and Stawell, a new freeway alignment at Anthony's Cutting and additional overtaking lanes and rest areas between Stawell and the South Australian border.  This project is jointly funded by the Commonwealth and State Governments.  This funding is for capital expenditure.
Country Passenger Rail Network Renewal and Maintenance (existing)	44	This funding is provided for the maintenance of the country passenger rail network to ensure that the integrity of the infrastructure is retained.  This funding is for capital expenditure.
Goulburn Valley Nagambie Bypass (existing)	70	This project will provide a freeway standard bypass to the east of Nagambie, and duplication of the existing highway to the north, thus improving freight connections to the Goulburn Valley region and improving safety and reliability for all road users.  This project is jointly funded by the Commonwealth and State Governments.  This funding is for capital expenditure.
Regional Train Rolling Stock Procurement (existing)	69	This project involves the purchase of additional carriages, stabling and associated operating costs for the V/locity regional rail fleet.  This funding is for capital expenditure.

Note:

(a) *Project performance will be assessed through timeliness, quality and cost measures*

Source: *Department of Transport, response to the Committee's 2010-11 Budget Estimates Questionnaire — Part B, received 5 May 2010 (see Public Accounts and Estimates Committee, Report on the 2010-11 Budget Estimates — Part One, May 2010, p.318)*

## APPENDIX 5: ACRONYMS AND ABBREVIATIONS

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ABS	Australian Bureau of Statistics
ACAR	Aged Care Allocation Round
ACARA	Australian Curriculum, Assessment and Reporting Authority
ACE	Adult Community Education
ACL	Australian Consumer Law
ACSQHC	Australian Commission on Safety and Quality in Health Care
AER	Australian Energy Regulator
AIHW	Australian Institute of Health and Welfare
ALP	Australian Labor Party
AMA	Australian Medical Association
AMI	Advanced Metering Infrastructure
AOD	Alcohol and Other Drugs
APLC	Australian Plague Locust Commission
AV	Ambulance Victoria or Audio-Visual
BER	Building the Education Revolution
BIP	Budget Information Paper
CATT	Crisis Assessment and Treatment Team
CAV	Consumer Affairs Victoria
CBD	Central Business District
CCTV	Closed-Circuit Television
CEPR	Customer Experience Performance Regime
CFA	Country Fire Authority
CFCL	Ceramic Fuel Cells Limited
COAG	Council of Australian Governments
CRC	COAG Reform Council
CSF	Community Support Fund
CSM	Customer Satisfaction Monitor
CTO	Court Transcription Officer
DEC	Digital Evidence Capture

DEECD	Department of Education and Early Childhood Development
DHS	Department of Human Services
DICG	Drought Inter-departmental Coordination Group
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
DPFC	Dame Phyllis Frost Centre
DPI	Department of Primary Industries
DSE	Department of Sustainability and Environment
DTF	Department of Treasury and Finance
EFT	Equivalent Full-Time
EMP	Environmental Management Plan
EPA	Environment Protection Authority
ESC	Essential Services Commission
ESTA	Emergency Service Telecommunications Authority
ETIS	Energy Technology Innovation Strategy
FFR	Federal Financial Relations
FRD	Financial Reporting Direction
FTE	Full-Time Equivalent
GLT	Growing Learning and Thriving: Victoria's Achievements in Early Childhood Development
GMW	Goulburn-Murray Water
GP	General Practitioner
GSP	Gross State Product
GST	Goods and Services Tax
GVT	Growing Victoria Together
ha	hectare(s)
HACC	Home and Community Care

HAMS	Heritage Asset Management Strategy
HMA	Hotel Motel and Accommodation Association
HVAC	High Voltage Alternating Current
IA	Infrastructure Australia
ICC	Incident Control Centre
ICN	Industry Capability Network
ICT	Information and Communication Technology
IGA	Intergovernmental Agreement on Federal Financial Relations
IMT	Incident Management Team
ISP	Individual Support Package or Internet Services Provider
JS2	Justice Statement 2
KFHS	Koorie Family History Service
KMM	Keeping Melbourne Moving
LAN	Local Area Network
LIN	Local Indigenous Network
MCEECDYA	Ministerial Council for Education, Early Childhood Development and Youth Affairs
MFMC	My Future My Choice
MPV	Major Projects Victoria
MRC	Melbourne Recital Centre
MTC	Melbourne Theatre Company
NA	National Agreement
NAPLAN	National Assessment Program — Literacy and Numeracy
NBJP	National Building and Jobs Plan
NEO	Networked Emergency Organisation
NHA	National Healthcare Agreement
NP	National Partnership
NPC	Net Present Cost
NRAS	National Rental Affordability Scheme
NVIRP	Northern Victoria Irrigation Renewal Project
OH&S	Occupational Health and Safety

OPP	Office of Public Prosecutions
OPR	Operational Performance Regime
OWRA	Office of the Workplace Rights Advocate
P21	Primary Schools for 21st Century
PAEC	Public Accounts and Estimates Committee
PARC	Prevention and Recovery Care
PHCO	Primary Health Care Organisation
PMF	Project Management Framework
PNFC	Public Non-Financial Corporation
PPP	Public Private Partnership
PV	Parks Victoria
RIDF	Regional Infrastructure Development Fund
RoGS	Report on Government Services
RRL	Regional Rail Link
S&P	Standard & Poor's
SACS	Sub-acute Ambulatory Care Services
SCI	Strategic Change Indicator
SRIP	Safer Roads Infrastructure Program
SRW	Southern Rural Water
SSCT	State Sports Centres Trust
STI	Science, Technology and Innovation
TAC	Transport Accident Commission
TAFE	Technical and Further Education
TEI	Total Estimated Investment
TTA	Transport Ticketing Authority
VAAP	Victoria's Alcohol Action Plan 2008-13
VARE	Visual and Audio Recorded Evidence
VATE	Video and Audio Taped Evidence
VBCMS	Victorian Bushfire Case Management Service
VBRRA	Victorian Bushfire Reconstruction and Recovery Authority
VCAA	Victorian Curriculum and Assessment Authority

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VCAT	Victorian Civil and Administrative Tribunal
VGRS	Victorian Government Reporting Service
VIAF	Victorian Indigenous Affairs Framework
VICSES	Victorian State Emergency Service
VIS	Victorian Innovation Strategy
VPS	Victorian Public Service
VRQA	Victorian Registration and Qualifications Authority
VSP	Victorian Schools Plan
VTP	Victorian Transport Plan
WRIL	Workplace Rights Information Line



## APPENDIX 6: INDEX TO PORTFOLIO TRANSCRIPTS

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<b>Portfolio</b>	<b>Department</b>	<b>Report Part 1 or 2</b>	<b>Page numbers</b>
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Women's Affairs	Planning and Community Development	2	Q1–7

# EXTRACT FROM THE MINUTES OF PROCEEDINGS



**Monday 26 July 2010**

**Motion:** That *Chapter 1: Introduction* be agreed to and adopted.

Moved: Judith Graley MP                      Seconded: Bill Sykes

Resolved in the affirmative.

**Motion:** That *Chapter 2: Key Aspects of the 2010–11 Budget* be agreed to and adopted.

Moved: Robin Scott MP                      Seconded: Sue Pennicuik MLC

Resolved in the affirmative.

**Motion:** Subject to confirmation of data in table 5.4, that *Chapter 5: The COAG Reform Agenda and Productivity in Victoria* be agreed to and adopted.

Moved: Sue Pennicuik MLC                      Seconded: Richard Dalla-Riva MLC

Resolved in the affirmative.

**Motion:** Subject to minor amendments that *Chapter 15: Analysis of the Government's Response* be agreed to and adopted.

Moved: Bill Sykes MP                      Seconded: Wade Noonan MP

Resolved in the affirmative.

**Monday 9 August 2010**

**Motion:** That *Chapter 4: Strategic Planning Underpinning Formulation of the 2010–11 Budget and Forward Estimates* be agreed to and adopted.

Moved: Wade Noonan MP                      Seconded: Sue Pennicuik MLC

Resolved in the affirmative.

**Motion:** That *Chapter 6: General Government Income and Revenue Initiatives* be agreed to and adopted.

Moved: Jennifer Huppert MLC                      Seconded: Sue Pennicuik MLC

Resolved in the affirmative.

**Motion:** That *Chapter 7: Revenue Foregone/Tax Expenditures, Concessions and Subsidies* be agreed to and adopted.

*Moved:* Wade Noonan MP                      Seconded: Sue Pennicuik MLC

Resolved in the affirmative.

### Monday 30 August 2010

**Motion:** That *Chapter 8: Regional and Rural Victoria* be agreed to and adopted.

*Moved:* Bill Sykes MP                      Seconded: Robin Scott MP

Resolved in the affirmative.

**Motion:** That *Appendix 4 (formerly Appendix 1): Critical Issues Facing Regional and Rural Victoria and Funding Initiatives Contained in the 2010-11 Budget* be agreed to and adopted.

*Moved:* Bill Sykes MP                      Seconded: Wade Noonan MP

Resolved in the affirmative.

### Monday 13 September 2010

**Motion:** That *Chapter 3: General Government Sector Asset Investment* be agreed to and adopted.

*Moved:* Robin Scott MP                      Seconded: Sue Pennicuik MLC

Resolved in the affirmative.

**Motion:** Subject to minor amendments that *Chapter 9: Departmental Workforce and Jobs in the State* be agreed to and adopted.

*Moved:* Robin Scott MP                      Seconded: Wade Noonan MP

Resolved in the affirmative.

**Motion:** Subject to minor amendments that *Chapter 10: Thriving Economy* be agreed to and adopted.

*Moved:* Wade Noonan MP                      Seconded: Judith Graley MP

Resolved in the affirmative.

**Motion:** That *Chapter 11: Quality Health and Education* be agreed to and adopted.

*Moved:* Jennifer Huppert MLC                      *Seconded:* Robin Scott MP

Resolved in the affirmative.

**Motion:** Subject to minor amendments that *Chapter 12: Healthy Environment* be agreed to and adopted.

*Moved:* Sue Pennicuik MLC                      *Seconded:* Robin Scott MP

Resolved in the affirmative.

**Motion:** Subject to minor amendments that *Chapter 13: Caring Communities* be agreed to and adopted.

*Moved:* Wade Noonan MP                      *Seconded:* Robin Scott MP

The Committee was divided on the motion.

**Ayes**

Bob Stensholt MP  
Judith Graley MP  
Jennifer Huppert MLC  
Wade Noonan MP  
Sue Pennicuik MLC  
Robin Scott MP

**Noes**

Kim Wells MP  
Richard Dalla-Riva MLC  
Gordon Rich-Phillips MLC  
Bill Sykes MP

Resolved in the affirmative.

**Motion:** That *Chapter 14: Vibrant Democracy* be agreed to and adopted.

*Moved:* Wade Noonan MP                      *Seconded:* Jennifer Huppert MLC

The Committee was divided on the motion.

**Ayes**

Bob Stensholt MP  
Judith Graley MP  
Jennifer Huppert MLC  
Wade Noonan MP  
Robin Scott MP

**Noes**

Kim Wells MP  
Richard Dalla-Riva MLC  
Gordon Rich-Phillips MLC  
Bill Sykes MP  
Sue Pennicuik MLC

Under Section 24 of the *Parliamentary Committees Act 2003*, the Chair used his casting vote.

Resolved in the affirmative.

**Motion:** That *Appendices 1, 2, 3, 5, 6* be agreed to and adopted.

*Moved:* Wade Noonan MP                      Seconded: Robin Scott MP

Resolved in the affirmative.

**Motion:** That the whole of the *Report on the 2010-11 Budget Estimates — Part Three* be agreed to and adopted.

*Moved:* Jennifer Huppert MLC                      Seconded: Judith Graley MP

The Committee was divided on the motion.

**Ayes**

Bob Stensholt MP  
Judith Graley MP  
Jennifer Huppert MLC  
Wade Noonan MP  
Sue Pennicuik MLC  
Robin Scott MP

**Noes**

Kim Wells MP  
Richard Dalla-Riva MLC  
Gordon Rich-Phillips MLC  
Bill Sykes MP

Resolved in the affirmative.