



Delivering Savings
Under the COVID
Debt Repayment Plan

July 2025

Independent assurance report to Parliament
2025–26:1

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Independent assurance report to Parliament

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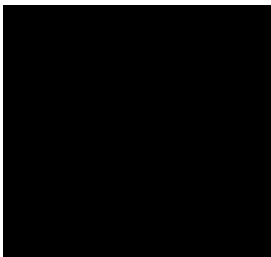
The Hon Shaun Leane MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Maree Edwards MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Delivering Savings Under the COVID Debt Repayment Plan*.

Yours faithfully



Andrew Greaves
Auditor-General
30 July 2025

The Victorian Auditor-General's Office (VAGO) acknowledges the Traditional Custodians of the lands and waters throughout Victoria. We pay our respects to Aboriginal and Torres Strait Islander communities, their continuing culture, and to Elders past and present.

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Audit snapshot

Are departments delivering savings consistent with the COVID Debt Repayment Plan?

Why we did this audit

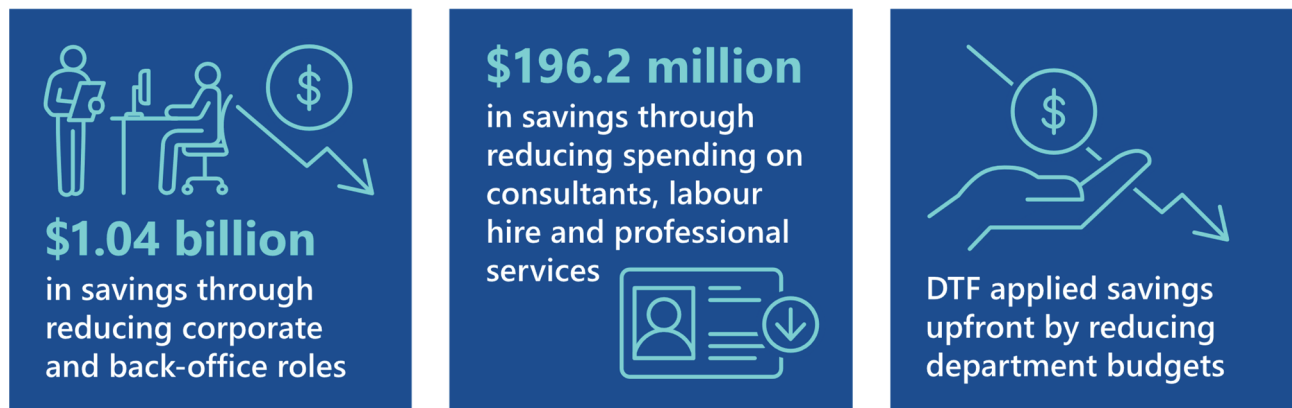
In May 2023, the Victorian Government announced the COVID Debt Repayment Plan, which aims to reduce government spending by \$2.1 billion over 4 years without cutting frontline services.

The government asked departments to cut back-office roles, labour hire and consultancy spending to deliver these savings.

Departments have to plan, implement and monitor how they reduce corporate and back-office roles in line with the government's intention to protect frontline services.

We examined 7 departments to see if their savings plans and delivery protected frontline services. We also examined the Department of Premier and Cabinet's (DPC) and Department of Treasury and Finance's (DTF) roles in guiding departments to develop savings plans. We looked at 9 departments to see if they met their 2023–24 savings targets.

Key background information



Note: The Department of Government Services (DGS) was also allocated some consultancy, labour hire and professional services savings. DGS is not in scope of this audit, so this figure excludes its allocation.
Source: VAGO.

What we concluded

DPC and DTF did not require departments to define 'frontline workers' or show how they applied this definition in their plans, which meant some departments specified particular staff groups as frontline, while others did not. Without a clear statement of who departments' frontline workers are, it is difficult for the public to know whether those workers have been affected by savings. However, 6 out of 7 departments' savings plans to government stated they would not cut frontline workers.

Departments primarily used restructures to deliver their savings. Their restructure proposals did not always clearly exclude frontline workers because they did not distinguish between frontline and back-office roles. However, most departments provided us with evidence that their savings were limited to back-office roles.

Only one department tracked savings delivery against specific initiatives in their savings plans. Others relied on monitoring departmental staff numbers and expenditure at a high level, which means they could not show they delivered the specific savings initiatives they planned.

DPC and DTF did not require departments to assess the impact of savings on frontline or back-office services. Without targeted metrics or specific monitoring, departments could not show if savings affected their service delivery.

Visibility of savings delivery is important to maintain the public's confidence in the state's ability to manage its budget without impacting frontline services. Departments' current reporting of savings delivery makes it difficult for the public to know how they are progressing against their savings commitments.

We recommended that DPC and DTF improve guidance to departments on aligning savings with government commitments, including defining and protecting frontline roles. We also recommended that DTF work with departments to improve the quality and consistency of public reporting on savings delivery.

1.

Our key findings

What we examined

Our audit followed 2 lines of inquiry:

1. Were departments' plans to deliver savings and efficiencies consistent with the COVID Debt Repayment Plan?
2. Are departments on track to deliver savings and efficiencies, while maintaining frontline services?

To answer these questions, we examined:

- coordination, advice and reporting templates from the Department of Premier and Cabinet (DPC) and the Department of Treasury and Finance (DTF)
- departmental expenditure review (DER) implementation plans, workforce data, internal reporting and savings delivery records from all Victorian Government departments, except the Department of Government Services (DGS), which did not have to deliver DER savings
- service delivery and workforce impact in 4 departments with large savings and frontline responsibilities: Department of Education (DE), Department of Energy, Environment and Climate Action (DEECA), Department of Health (DH) and Department of Justice and Community Safety (DJCS).

Identifying what is working well

In our engagements we look for what is working well – not only areas for improvement.

Sharing positive outcomes allows other public agencies to learn from and adopt good practices. This is an important part of our commitment to better public services for Victorians.

Background information

COVID Debt Repayment Plan

In May 2023, the government announced the *Victorian Budget 2023/24: Doing What Matters: COVID Debt Repayment Plan* (COVID Debt Repayment Plan) as part of the 2023–24 state Budget. The plan aimed to reduce COVID-19 pandemic state debt, return the public sector workforce to pre-pandemic staff levels and make government more efficient while maintaining frontline services that matter to Victorians.

COVID Debt Repayment Plan components

Budget Paper No. 3: Service Delivery 2023–24 identifies 2 components of the COVID Debt Repayment Plan:

- the COVID Debt Levy, a temporary levy on payroll and landholdings
- savings and efficiencies.

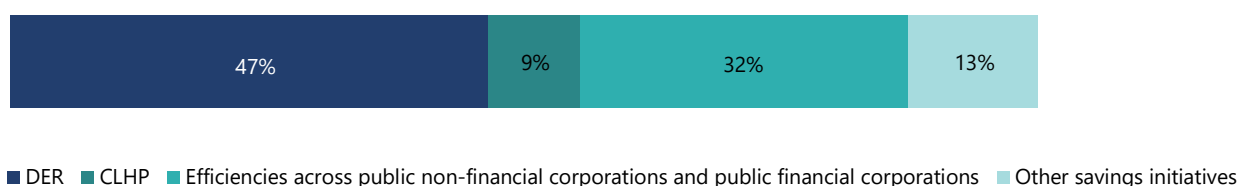
This audit focused only on the savings and efficiencies component. In this report we refer to this component as the COVID Debt Repayment Plan.

The government committed to saving \$2.1 billion over 4 years from 2023–24 to 2026–27. In the 2023–24 state Budget speech, the Treasurer reaffirmed that savings measures under the plan would not affect frontline workers. As Figure 1 shows, the government allocated the majority (56 per cent) of savings to departments, mostly split across:

- DER initiatives (47 per cent), which include reductions in corporate and back-office functions. This amounts to \$1.04 billion savings over 4 years, \$300 million ongoing and over 1,850 full-time equivalent (FTE) role reductions
- reductions in consultancy, labour hire and professional services (CLHP) spending (9 per cent) of \$196.2 million over 4 years, and \$58.8 million ongoing.

The government allocated the remaining savings for the COVID Debt Repayment Plan to public non-financial and financial corporations and other initiatives, which are not in scope of this audit.

Figure 1: Breakdown of the COVID Debt Repayment Plan by savings component



Note: DGS is not in scope of this audit, but we have included it here for completeness. The values do not add up to 100 per cent because of rounding.
Source: VAGO, based on data from DTF.

DTF applied these savings to departments' budgets up-front through the government's financial system. This means that savings are 'achieved' up-front. Departments must then 'deliver' these savings through reducing FTE and other expenditure, such as on contractors and consultants.

DER and CLHP savings measures timeline

In March 2023, 2 months before the government announced the COVID Debt Repayment Plan, it asked departments to identify DER savings options. These savings later formed part of the plan. At the time, there was no public commitment that savings would not affect frontline workers. The government made that commitment in the 2023–24 state Budget speech in May 2023.

In December 2023, 7 months after announcing the COVID Debt Repayment Plan, the government allocated departments their share of CLHP savings under this plan. The government combined these savings with CLHP savings it committed to earlier under the *2022 Labor Financial Statement*.

The combined CLHP savings for the *2022 Labor Financial Statement* and the COVID Debt Repayment Plan is \$357.6 million over 4 years.

In its communication to departments about their savings allocation, DTF described these savings as an expansion of the *2022 Labor Financial Statement* commitment to reduce CLHP expenditure, without specifying that it formed part of the COVID Debt Repayment Plan.

Figure 2 shows the timing of key events related to the COVID Debt Repayment Plan, including when departments developed savings options, implementation plans and when the government allocated savings to departments.

Figure 2: Timeline of key events and decisions relating to the COVID Debt Repayment Plan



Note: The April 2023 event is an internal government decision and separate to the May 2023 public announcement.
 Source: VAGO, from *Budget Paper No. 3: Service Delivery 2023–24* and other department documents.

After April 2023, the government made separate decisions that reduced the total DER savings target from \$1.04 billion to \$1.01 billion. The separate decisions were about the government:

- reversing its savings allocation for one department
- correcting an administrative error in one department's allocation.

Other savings initiatives

Departments have been subject to multiple other savings measures since 2021–22. These include:

- the 1 per cent reprioritisation of lowest-priority work
- general efficiency dividend requirements
- base and efficiency review initiatives
- the phased introduction of legislated superannuation increases from July 2021 and increases to WorkCover premiums.

From 2023–24 to 2027–28, these savings measures total more than \$7.8 billion. While outside of the scope of this audit, departments must implement them at the same time as delivering savings commitments in the COVID Debt Repayment Plan. This influenced how departments managed their budget and workforce to deliver their 2023–24 DER and CLHP savings.

On 20 February 2025, the government announced an Independent Review of the Victorian Public Service (Independent Review). It aimed to identify overlaps and inefficiencies of programs within the Victorian Public Service (VPS) that could be streamlined or eliminated (excluding frontline workers). The Independent Review is not part of this audit's scope.

In the Victorian Budget 2025–26, the government announced \$3.3 billion in new savings and efficiencies that target corporate savings from non-frontline functions across government, automate more services and consolidate duplicative functions. These measures are meant to align with the Independent Review's aims to rightsize program expenditure and return the public service towards its pre-pandemic employment levels.

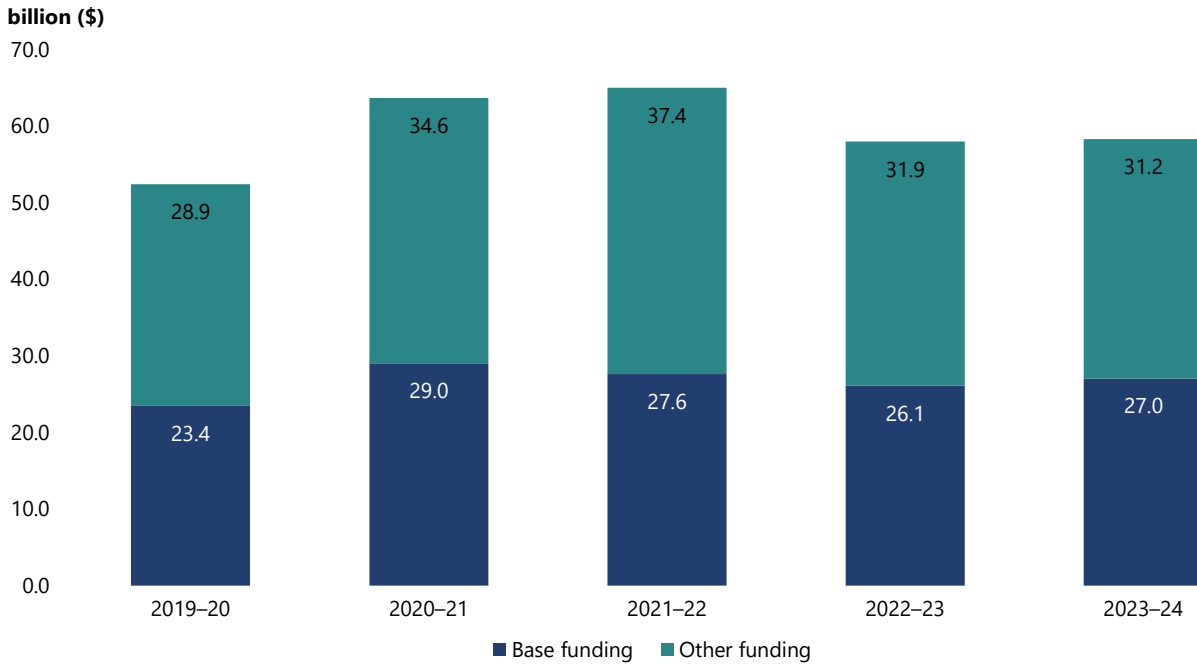
Savings compared to department budgets

The government's \$2.1 billion COVID Debt Repayment Plan savings target over 4 years is significant at a whole-of-government level. But the DER and CLHP savings targets represent only a small part of departments' total budgets.

In 2023–24 the combined DER and CLHP savings for all audited departments was \$168 million, or around 0.29 per cent, of their \$58.3 billion in total departmental output funding.

Departments mainly deliver these savings from their ongoing base funding, which funds their core services and operations. As Figure 3 shows, despite departments having to deliver COVID Debt Repayment Plan savings, the total departmental base funding increased marginally by around 3.6 per cent from \$26.1 billion in 2022–23 to \$27.0 billion in 2023–24.

Figure 3: Breakdown of total departmental appropriations by base funding and other funding for 2019–20 to 2023–24



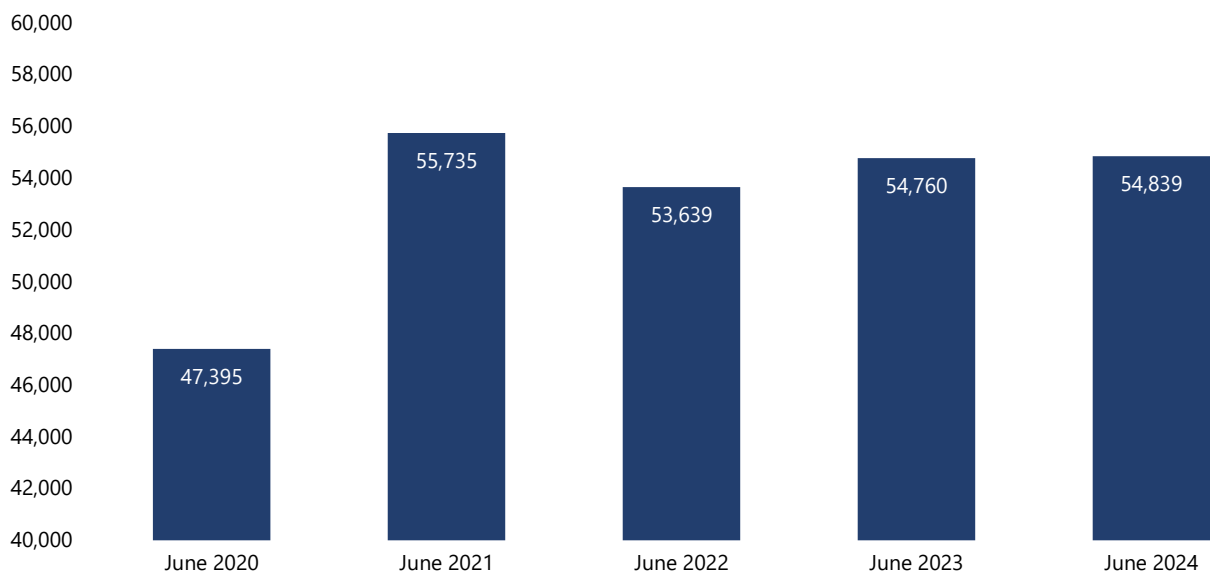
Note: Base funding broadly means the money departments receive to deliver their core services and operations. Departments also receive funding for other purposes including base funding that they 'pass on' to other government entities, such as schools and Victoria Police. We have classified this under 'Other funding' and departments cannot find savings from it.

Source: VAGO, based on departments' annual reports and other documents.

VPS FTE staff

Figure 4 shows that the total VPS FTE roles increased between June 2022 and June 2024.

Figure 4: Number of VPS FTE roles from June 2020 to June 2024



Source: VAGO, based on Victorian Public Sector Commission data.

What we found

This section focuses on our key findings, which fall into 3 areas:

1. Most departments planned to deliver savings without cutting frontline workers but lacked a consistent approach to identifying these roles.
2. Departments monitor approved savings initiatives at a high level, which limits delivery visibility.
3. Departments do not actively assess the impact of savings on service delivery.

The full list of our recommendations, including agency responses, is at the end of this section.

Consultation with agencies

When reaching our conclusions, we consulted with the audited agencies and considered their views.

You can read their full responses in Appendix A.

Key finding 1: Most departments planned to deliver savings without cutting frontline workers but lacked a consistent approach to identifying these roles

Under the COVID Debt Repayment Plan, the government publicly committed to protecting frontline workers and expected departments to deliver savings through reducing corporate and back-office roles.

DPC and DTF provided departments with a standardised template to document departments' savings proposals but did not require them to define 'frontline' or to explain how they protected or excluded frontline roles. DPC and DTF did not provide clear guidance to departments about defining their frontline roles and departments did not consistently document their definitions.

All departments gave us their definition of frontline roles during the audit. Some had broad definitions, while others said that their frontline workforce was self-evident. But their implementation plans did not identify who their frontline workers were, except for DE.

Despite this, implementation plans for 6 of 7 departments proposed cuts to only back-office roles. The government approved DEECA's proposal to reduce a small number of frontline roles, which related to the government's decision to cease the native timber harvesting industry. DEECA later offset this with additional frontline roles created through broader organisational changes because of a separate government commitment.

Addressing this finding

To address this finding, we made 2 recommendations to DPC and DTF about:

- providing departments with clearer guidance on how to align savings initiatives with government commitments, particularly when the commitments involve protecting frontline workers and services
- working with the relevant agencies to develop whole-of-government principles that define frontline workers and services that departments can use to support planning for future savings programs.

Key finding 2: Departments monitor approved savings initiatives at a high level, which limits delivery visibility

Most departments focused on delivering aggregate savings, not specific initiatives

All departments told us they delivered their 2023–24 DER savings targets and reduced their FTE numbers. This totalled \$148.2 million in DER savings and a reduction of 1,132.5 FTE against a target of 1,113 FTE.

But only DEECA tracked savings delivery at the initiative level.

Other departments tracked progress at an aggregate level through monitoring overall departmental or business group budgets or through their organisational restructure processes. So most departments could not demonstrate if they delivered their approved savings initiatives as planned or which FTE reductions contributed to DER savings targets.

While initiative-level tracking would help confirm that departments implemented savings as proposed, DPC, DTF and some departments told us that more detailed tracking of specific savings initiatives is challenging. This is because it is resource intensive and departments' operating environments are constantly changing with new government priorities and funding decisions.

Restructure proposals did not always distinguish between frontline and back-office roles

Departments primarily used restructures to implement their savings. This means their restructure proposals were central to understanding whether frontline roles were impacted when departments implemented savings.

Restructure proposals did not always clearly exclude frontline workers because they did not distinguish between frontline and back-office roles. Departments often used generic job titles, making it difficult to confirm if some roles were frontline or back office. DPC and DTF did not require departments to define or track frontline roles during implementation. Departments also said that restructures were driven by multiple factors, including machinery of government and funding changes, which meant that some did not always prioritise frontline classifications.

Without clear definitions and role categorisations, some departments could not clearly show that they considered and protected frontline workers in their restructure proposals.

There is limited and inconsistent public reporting on how departments deliver savings

Departments are not required to detail their progress against DER or CLHP savings targets or clarify whether savings have been delivered without affecting services in their public performance reporting, such as in budget papers and departments' annual reports.

Departments provide limited public reporting on their DER or CLHP savings' delivery and impacts. While they report to DPC and DTF using standard templates, this information is not published or independently verified.

Although departments report some savings delivery information to the Public Accounts and Estimates Committee (PAEC), their disclosures are often high level, inconsistent between departments and not always clearly linked to the COVID Debt Repayment Plan.

In the 2023–24 PAEC financial and performance outcomes questionnaire, departments reported their actual savings delivered against the savings and efficiencies category of the COVID Debt Repayment Plan, but most provided minimal detail on specific actions taken to deliver savings or their impacts.

Without clear, consistent and comprehensive public reporting, there is limited visibility over whether departments delivered the savings initiatives as planned, and whether they protected frontline services.

Machinery of government changes

A machinery of government change occurs when the government reorganises government functions and service delivery across departments. For example, from 1 February 2021, the previous Department of Health and Human Services was split into the Department of Health and the Department of Families, Fairness and Housing.

Addressing this finding

To address this finding, we made one recommendation to DTF about:

- working with departments to improve the quality and consistency of public reporting on savings delivery.

Key finding 3: Departments do not actively assess the impact of savings on service delivery

Departments do not have systems to assess savings' impact on frontline and back-office services

The government committed that savings under the COVID Debt Repayment Plan would not affect service delivery. But none of the departments we examined in detail – DE, DEECA, DH and DJCS – could demonstrate that they actively assessed how their DER or CLHP savings impacted services.

All 4 of these departments used existing performance measures, such as those in budget papers. But these measures were not designed to isolate or evaluate the specific savings initiatives' impact.

Departments also did not collect data on back-office functions affected by workforce reductions.

Departments gave several reasons for this, including that:

- it is reasonable to use the measures in budget papers to monitor the impact of changes in resource allocation on service delivery
- when reducing back-office functions, it may not be practical to develop new metrics for specific savings initiatives when existing performance measures are suitable proxies
- DPC and DTF did not require departments to report on service impacts
- savings initiatives overlapped with other changes, such as program reform, funding lapses or machinery of government changes
- departments assumed that keeping frontline full-time roles meant that services were unaffected.

Workforce reductions impacted back-office functions

We found that savings measures resulted in changes to the back-office operations of the 4 departments we looked at in detail. Business areas across departments reported that they:

- reprioritised or scaled back internal reporting, evaluation and coordination activities
- transferred responsibilities across teams to manage lowered capacity
- deferred non-critical work to focus resources on government priorities.

Without systematic tracking, departments cannot measure how much these operational changes impact services.

2.

Our recommendations

We made 3 recommendations to address our findings. The relevant agencies have accepted all recommendations in full.

			Agency responses	
Finding: Most departments planned to deliver savings without cutting frontline workers but lacked a consistent approach to identifying these roles				
Department of Premier and Cabinet Department of Treasury and Finance	1	Provide departments with clearer guidance on how to align savings initiatives with government commitments, particularly when the commitments involve protecting frontline workers and services (see Section 3).	Accepted	
	2	Work with the relevant agencies to develop whole-of-government principles that help departments define frontline workers and services, and support planning for future savings programs (see Section 3).	Accepted	
Finding: Departments monitor approved savings initiatives at a high level, which limits delivery visibility				
Department of Treasury and Finance	3	Work with departments to improve the quality and consistency of public reporting on savings delivery. This includes: <ul style="list-style-type: none">consistently and accurately reporting on savings targets and savings achieveddescribing how departments protected frontline services (see Section 4).	Accepted	

3.

Planning savings

Most departments planned to deliver DER savings without reducing frontline roles.

But DPC and DTF did not give clear guidance to departments on how they should apply the government's commitment to protect frontline roles when departments developed their savings proposals.

Not all departments could show how they applied their frontline worker definitions.

Covered in this section:

- Departments had to propose DER savings options based on initial DTF guidance but not for CLHP savings
- Most departments' DER implementation plans did not propose to cut frontline workers
- DPC and DTF did not give clear written guidance about defining and excluding frontline workers
- Not all departments could show how they applied their frontline worker definitions

Departments had to propose DER savings options based on initial DTF guidance but not for CLHP savings

DER savings options

DTF told departments to focus savings on back-office functions but did not explicitly ask them to exclude frontline services or workers from savings options.

In March 2023, DTF's secretary asked departments to identify DER savings options that sum to at least the equivalent of a 10 per cent reduction in ongoing public service staff.

The request included 6 preferred areas for savings:

- policy, strategy, intergovernmental and coordination functions
- offices of secretaries, deputy secretaries and executive directors
- functions that expanded in response to COVID-19
- functions overlapping with local and Commonwealth governments responsibilities
- agencies attached to departments
- corporate functions, including communications, marketing and procurement.

While some of the preferred areas are clearly corporate and back-office functions, DTF did not explicitly require departments to exclude frontline workers from their savings options. Departments had to complete a standard template for each savings option outlining the initiative, expected financial savings and expected service delivery impacts. They also had to identify the number of FTE reductions but did not have to specify if any were frontline.

CLHP savings

In December 2023, DTF advised departments of their CLHP savings targets. These were in addition to CLHP savings already committed in the *2022 Labor Financial Statement*.

DTF told departments they had discretion over how to deliver their CLHP savings. DTF also said there was a strong expectation that reductions would not affect service delivery and would align with existing government guidelines on using labour hire and professional services.

Unlike DER savings, departments did not have to submit implementation plans for CLHP savings. DPC and DTF did not require departments to track or report on the implementation of CLHP savings specifically.

Most departments' DER implementation plans did not propose to cut frontline workers

DER implementation plans

In June 2023, all departments submitted implementation plans to government to deliver their DER savings using DPC's templates. These plans outlined proposed savings initiatives, their intended actions, expected service delivery impacts and risk ratings. Specifically, departments had to specify the number of frontline and back-office roles that they would cut.

We reviewed the implementation plans of all audited departments except DPC and DTF. We did not examine DPC and DTF because our focus on them during the savings planning phase is about their central agency role in guiding implementation plan development across departments.

We found that 6 of these 7 departments' implementation plans proposed to cut only back-office FTE. The government approved DEECA's proposal to reduce some frontline roles, which related to the government's decision to cease the native timber harvesting industry. DEECA later offset this with additional frontline roles created through broader organisational changes because of a separate government commitment.

DPC and DTF did not give clear written guidance about defining and excluding frontline workers

Protecting frontline services

In the 2023–24 state Budget speech, the Treasurer said that departments would achieve savings by reducing corporate and back-office functions and spending on consultants and labour hire without affecting frontline workers.

DPC's and DTF's advice to departments about DER savings did not reinforce the government's commitment to not affect frontline workers, including how to apply it when planning DER savings.

April 2023 Victorian Secretaries Board meeting

In April 2023, the Treasurer briefed the Victorian Secretaries Board on the 2023–24 state Budget. This briefing included a discussion of savings measures and financial management expectations. Members discussed budget implementation and reporting matters, including the mid-year reporting on savings measures. But it is unclear if members received direction that DER savings must not affect frontline services or workers.

June 2023 DPC implementation plan templates

DPC's implementation plan templates for departments did not include guidance on identifying or excluding frontline roles.

Between May and June 2023, DPC supported departments to develop and submit DER implementation plans to government by issuing:

- a savings template to summarise DER initiatives, workforce impacts and replacement measures
- a submission template and spreadsheet to disaggregate FTE reductions by the expected number of impacted frontline and back-office roles
- a presentation template to summarise the financial and workforce impact of each DER and replacement initiative.

These tools helped departments to standardise their implementation plans but did not include direction on how to apply the government's commitment to protect frontline services.

- DPC and DTF did not require departments to exclude frontline workers from their implementation plans. They required departments to align proposed cost savings and FTE reductions with their March 2023 savings options. Departments had to provide alternative options for DER initiatives that may be at delivery risk but not if they involved reducing frontline workers.
 - The template required departments to specify the number of frontline and back-office FTE reductions, but they did not have to define or identify frontline workers in their proposals.
-

Not all departments could show how they applied their frontline worker definitions

Defining frontline workers

DTF's budget guidance defines frontline employees broadly as client-facing roles, such as teachers or child protection practitioners. The definition is also informed by Victoria's public sector industrial relations settings and the Victorian Public Sector Commission's (VPSC) guidance used in annual workforce data collection.

But DPC and DTF did not give departments advice about clearly defining frontline workers or services and excluding them for the purposes of their DER implementation plans. Departments assumed responsibility for defining and applying their own definitions of frontline roles, and to demonstrate that these workers were excluded from DER savings.

Documenting and applying definitions

All departments provided us with their definitions of frontline workers when requested. We list them in Figure 5.

Only DE, the Department of Families, Fairness and Housing (DFFH) and DJCS could show that they documented and clearly applied their definitions when developing implementation plans for government.

- DFFH explicitly excluded its frontline workers, such as child protection and housing officers, in its March 2023 DER savings options and DER implementation plans. These roles have different employee classifications in the VPS Enterprise Agreement 2024.
- DJCS defined its frontline workers as both staff with VPS 'adaptive' classifications (prison, community corrections, victims, sheriff, youth justice custodial and youth justice community staff) and some VPS roles that directly engage with the public, such as the Office of the Public Advocate and Victims of Crime Helpline. But DJCS did not include this broader VPS definition in its March 2023 DER savings options.
- DE identified school-based teaching service staff and allied health student support staff as frontline. But it excluded visiting teachers from its frontline cohort because they support teachers rather than students directly.

Figure 5: Departments' frontline workers definitions

Department	Frontline workers definition
DE	<ul style="list-style-type: none"> • VPS staff who provide allied health Student Support Services • School-based teaching service staff
DEECA	Staff that are directly community or customer-facing, such as senior forest and fire operations officers and animal health officers
DFFH	<ul style="list-style-type: none"> • Child protection practitioners • Children, youth and families staff • Housing services officers • Housing customer services officers • Disability, development and support officers • Allied health practitioners
DH	Maternal and child health nurses
DJCS	<ul style="list-style-type: none"> • Prison, community corrections, victims, sheriff, youth justice custodial and youth justice community staff • VPS staff who directly provide services to the community, including Office of the Public Advocate and Victims of Crime Helpline staff
Department of Jobs, Skills, Industry and Regions (DJSIR)	DJSIR staff who directly deliver programs to the community, such as apprenticeship support officers and Study Melbourne Hub staff
Department of Transport and Planning (DTP)	DTP staff who provide direct services to the community, such as call centre or customer hub staff

Note: Frontline roles such as police officers, doctors, nurses and public transport staff are not departmental staff.
Source: VAGO, based on departments' information.

The rest of the departments did not formally document or apply frontline definitions when developing implementation plans for government.

- DTP said it has a low ratio of frontline to back-office staff, so a formal definition was unnecessary. DTP's DER implementation plans did not propose any frontline reductions, so there was no need to document or revisit its definition after submitting its plans.
- DJSIR said that most frontline roles in its portfolio (for example, TAFE teachers) are not employed by the department and were not subject to the DER FTE reductions. It did not distinguish between frontline and back-office roles in its DER implementation plans, as its workforce reforms were driven by a combination of the DER savings and broader restructuring needs, including machinery of government changes.
- DH limited its definition to maternal child health nurses, noting that many roles engaged the public (for example, its Patient Review Panel, regulation officers or donor conception registry team). DH told us it felt that as the health system steward, it was proper to limit frontline workers to those providing health care services. It did not formally document this definition because it is a small and specific staff group but clearly excluded maternal child health nurses in its organisational restructures. DH is now reviewing its recruitment policies to formally classify maternal child health nurses as frontline.
- DEECA provided VAGO with its frontline definition but could not show that its business groups consistently applied it when developing its DER implementation plans.

VPSC's frontline worker definition

As shown above, all departments gave us their definition of frontline roles during the audit. But it was not always clear to us who these workers were because departments' implementation plans did not identify them, except for DE.

In 2024, VPSC published its definition of frontline workers on its website. It worked with departments to develop the definition. VPSC defines frontline workers as VPS or public sector employees whose primary function is to deliver services directly to the public or community. It also defines 'primary function' as 70 per cent of the employee's time in the role.

VPSC's main reasons for developing this include:

- to create clarity and consistency in workforce reporting across the Victorian public sector and in data activities such as the People Matter Survey and workforce data collection
- to understand the ratio of frontline to back-office workers in VPS and public sector agencies
- to support workforce planning and analysis using standardised Australian and New Zealand Standard Classification of Occupations codes.

DPC and DTF can leverage VPSC's frontline worker definition to develop whole-of-government principles that support departments' planning for future savings programs.

4.

Delivering and monitoring savings

All departments told us that they delivered their 2023–24 DER savings targets, but only DEECA tracks implementation at the initiative level.

Other departments monitored progress against their overall budgets, which include a mix of savings and other funding decisions.

This means they could not easily show if they delivered the specific initiatives approved in their DER implementation plans.

Covered in this section:

- Departments mainly delivered DER savings through organisational restructures
- Restructures did not always clearly identify frontline and back-office roles
- Departments told us that they met their 2023–24 savings targets but have not shown how they will deliver some savings over the forward estimates
- Most departments monitored their overall budgets, not delivery of their individual savings targets
- Departments' public reporting on savings is inconsistent and lacks transparency

Departments mainly delivered DER savings through organisational restructures

Restructures Most departments relied on organisational restructures to deliver their DER savings. Departments implemented these restructures alongside machinery of government changes and earlier savings measures.

Clause 11 of the *Victorian Public Service Enterprise Agreement 2024* requires departments to consult with affected staff on major organisational changes. In this report, we refer to these as restructure proposals.

Restructures did not always clearly identify frontline and back-office roles

Restructure proposals We reviewed restructure proposals to assess whether departments clearly identified and excluded frontline roles, consistent with the COVID Debt Repayment Plan. We list the department restructure proposals we assessed in Figure 6.

We focused on departmental restructures that affected service delivery divisions to assess if these changes included reducing frontline roles. We excluded proposals for corporate areas such as

human resources, finance and communications, except for DTP who gave us a department-wide list of frontline roles, including those in corporate areas.

Figure 6: Department restructure proposals we assessed

Department	Divisions
DE	All
DEECA	<ul style="list-style-type: none"> • Agriculture Victoria (phase 1) • Bushfire and Forest Services • Energy • Solar Victoria • Regions, Environment, Climate Action and First Peoples • Water and Catchments
DFFH	All
DH	All
DJCS	<ul style="list-style-type: none"> • Police, Racing, Victims and Coordination • Emergency Management
DJSIR	<ul style="list-style-type: none"> • Industry, Trade and Investment • Regional and Suburban Development • Skills and Employment • Sport and Experience Economy
DTP	All

Note: DER savings impacted 4 DJCS division restructures. We list 2 above, while the other 2 are corporate areas and out of this analysis' scope.

Source: VAGO, based on department documents.

Restructure impacts on frontline roles

Most departments targeted back-office roles in their restructure proposals, such as business support and policy officers. This aligns with the government's commitment to protect frontline workers and services.

- DE, DFFH, DH and DJCS (Police, Racing, Victims and Coordination) clearly excluded frontline roles, as listed in Figure 5, in their proposals.
- DEECA proposed frontline reductions to its Agriculture Victoria and Bushfire and Forest Services groups, which the government approved in June 2023. But DEECA removed only 4 roles in the Bushfire and Forest Services group, which aligned to the government's decision to cease native timber harvesting on 1 January 2024. DEECA later offset these reductions by creating 56 new frontline roles through the restructure processes in the Bushfire and Forest Services and Energy groups, which meant there was a net increase of 52 frontline roles. The additional roles in the Bushfire and Forest Services group gave effect to a separate government commitment to create 54 ongoing forest and fire operations officers.
- DJCS Emergency Management group's restructure did not impact its frontline roles. DJCS advised us that some roles in the State Control Centre deliver emergency management frontline services. DJCS did not reduce any roles in the State Control Centre, therefore no frontline roles were impacted. But it is not clear from DJCS's frontline worker definition or the Emergency Management restructure proposal what these roles are.

DJSIR, DTP and other groups in DEECA did not identify frontline and back-office roles in their restructure proposals. They often used generic job titles, making it difficult for us to confirm role types.

DTP said that the ratio of its frontline staff compared to back office is very low, so it was unnecessary to keep raising this after it completed its DER implementation plans. It also said that there was no need to document its frontline workers definition when implementing savings measures because there was no intent to impact frontline roles.

Figure 7 summarises our assessment of whether departments' restructure proposals involved frontline roles.

Figure 7: Our assessment of whether departments' restructure proposals identified or excluded frontline roles

Department and division (if applicable)	Details
DE	Restructure proposal did not explicitly define or list its frontline roles but said that school staff and allied health workforce in regions – DE's frontline workers as listed in Figure 5 – were not included in these changes.
DEECA (Agriculture Victoria; Bushfire and Forest Services)	Restructure proposal did not clearly identify between frontline and back-office roles but did indicate cuts to some frontline roles. <ul style="list-style-type: none"> • DEECA provided evidence that Agriculture Victoria did not reduce any frontline positions at the end of the process. • Bushfire and Forest Services reduced 41 ongoing roles specifically to deliver DER savings. This included 4 frontline timber harvesting regulatory roles that the government had approved in June 2023 based on its decision to stop native timber harvesting. But the group also added 54 frontline FTE roles, such as senior forest and fire operations officers (field assessors), as part of a broader operating model review.
DEECA (Energy group)	Restructure proposal did not clearly identify frontline and back-office roles. While the total number of roles in the group reduced, the group added 2 frontline roles and none of the reduced roles were frontline. The 2 frontline roles contributed to DEECA's net increase of 52 frontline roles.
DEECA (remaining groups)	Restructure proposal did not clearly identify frontline and back-office roles. But DEECA provided evidence that the Regions, Environment, Climate Action and First Peoples Group did not reduce frontline roles, and DEECA advised that none of the reductions in other groups were frontline.
DFFH	Restructure documents listed DFFH's frontline workers and said that they would not be reduced.
DH	Restructure proposal did not explicitly define its frontline roles but said that the changes did not apply to employees covered by the <i>MCH Nurses (Department of Health) Agreement 2021</i> – DH's frontline workers as listed in Figure 5 – or non-VPS employees.
DJCS (Emergency Management)	DJCS told us that the only frontline roles in the DJCS Emergency Management group are some select roles in the State Control Centre. Its restructure proposal did not include cuts to the State Control Centre; therefore, no frontline roles were impacted. DJCS's DER initiatives also excluded emergency services organisations, such as Fire Rescue Victoria.
DJCS (Police, Racing, Victims and Coordination)	Restructure proposal involved cuts to units that do not deliver frontline services (victims services as indicated in Figure 5).
DJSIR	DJSIR told us that it did not cut frontline roles. It said most frontline roles in its portfolio are not employed directly by the department. Its savings proposals did not separate frontline and back-office roles because these were part of a broader restructure, which included machinery of government changes, the cancelled Commonwealth Games, and other savings initiatives. DJSIR focused on matching its workforce to available funding, rather than documenting role classifications.
DTP	Restructure proposal did not clearly identify frontline and back-office roles. But we reviewed DTP's list of frontline staff against DTP's restructure proposals and verified that its restructure proposals did not include frontline workers.

Source: VAGO, based on department documents.

Departments told us that they met their 2023–24 savings targets but have not shown how they will deliver some savings over the forward estimates

2023–24 DER savings

For 2023–24, departments had to deliver a total of \$148.2 million in DER savings. Figure 8 shows each department’s savings target.

All departments told us that they met their DER savings targets. Departments also said they reduced a total of 1,132.5 FTE, more than the target of 1,113 FTE.

Some departments delivered forward-year reductions earlier than planned, while others reported that they delivered savings even though they cut less FTE than planned or none.

There are several reasons for this, such as departments receiving new program funding or that they did not have to reduce as many FTE as they had to. We discuss this more in the next section.

Figure 8: Departments’ 2023–24 DER savings targets

Department	Target (\$ million)
DE	34.0
DEECA	28.4
DFFH	6.7
DH	24.8
DJCS	17.4
DJSIR	6.5
DPC	6.9
DTF	10.4
DTP	13.1

Note: These allocations include reductions after the government first allocated savings in April 2023.
Source: VAGO, based on department documents.

To confirm FTE reductions for DER savings, we reviewed a sample of 5 reduced FTE positions at each department except DPC and DTF. We reviewed 4 at DTF because it only removed 4 staff. DTF said it delivered savings through other means, such as passing them on to its portfolio entities. DPC said it proportionally allocated savings to its groups. Some of these savings were offset by other additional program funding DPC received.

We saw evidence from all departments confirming they removed the positions we sampled.

2023–24 CLHP savings

For 2023–24, audited departments had to deliver a total of \$34.5 million in CLHP savings.

Figure 9 shows each department’s savings target for 2023–24 and later years. Except for 2023–24, each target includes both the CLHP savings for the COVID Debt Repayment Plan and the 2022 *Labor Financial Statement*, with a combined total of \$357.6 million over 4 years.

DTF said that the 2023–24 CLHP savings target was only intended to deliver the 2022 *Labor Financial Statement* commitment. This means that departments did not have to deliver specific CLHP savings for the COVID Debt Repayment in 2023–24.

DTF said those savings were delivered instead through general departmental underspend in 2023–24.

Figure 9: Departments' combined CLHP savings targets for the COVID Debt Repayment Plan and the 2022 Labor Financial Statement for 2023–24 to 2026–27 (\$ million)

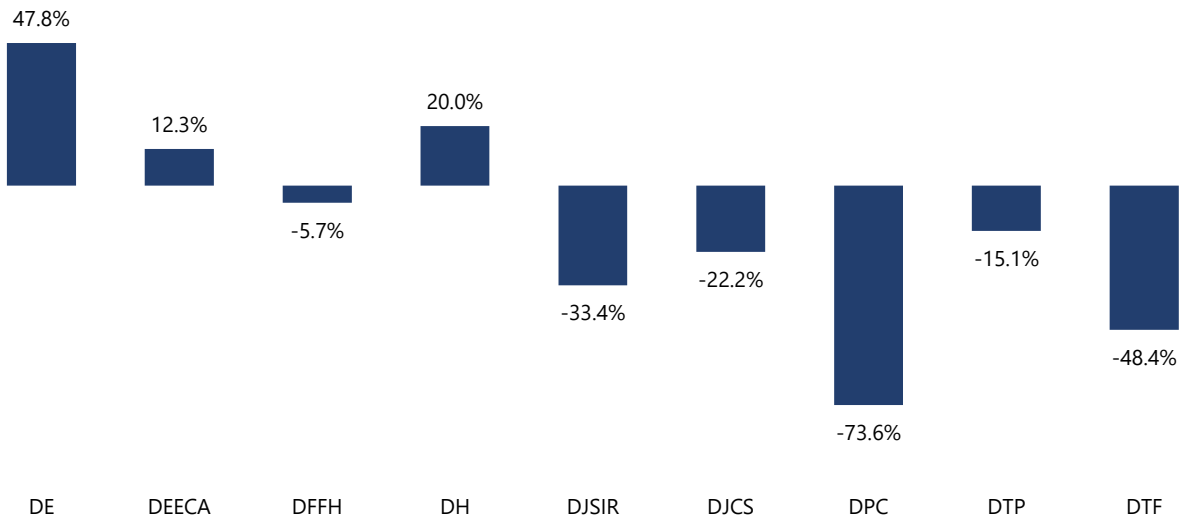
Department	2023–24	2024–25	2025–26	2026–27
DE	4.6	14.3	14.3	14.3
DEECA	4.6	14.3	14.3	14.3
DFFH	0.7	2.2	2.2	2.2
DH	6.2	19.4	19.4	19.4
DJCS	4.6	14.3	14.3	14.3
DJSIR	6.2	19.4	19.4	19.4
DPC	0.7	2.2	2.2	2.2
DTF	0.7	2.2	2.2	2.2
DTP	6.2	19.4	19.4	19.4
Total	34.5	107.7	107.7	107.7

Note: When government allocated CLHP savings to departments in December 2023, it combined the targets and did not provide a breakdown by savings commitment.

Source: VAGO, based on department documents.

All departments reported delivering their 2023–24 CLHP savings. We analysed contractor and consultant expenditure data reported to PAEC to verify this and show our results in Figure 10.

Figure 10: Percentage change in departments' spending on contractors (including labour hire) and consultancy combined between 2022–23 and 2023–24



Note: The DE percentage combines the Children and Education portfolios. The DJCS percentage excludes Victoria Police.

Source: VAGO, based on departments' responses to PAEC.

As Figure 10 shows, most departments reduced spending in these areas. But DE, DEECA and DH reported increases in combined expenditure compared to 2022–23.

- DH reported achieving its \$6.2 million CLHP savings target in 2023–24. It spent \$94.7 million less on CLHP but attributed only a part of this reduction to its CLHP target due to overlapping spend categories. DH noted CLHP expenditure is a subset of the contractor and consultant expenditure data it reports to PAEC, so the 2 cannot be compared. It also noted that the spending increase reported to PAEC between 2022–23 and 2023–24 was driven by increased construction-related activity in its Health Infrastructure portfolio and associated contractor spend (which it does not include as part of its CLHP expenditure).
- DEECA said that increased expenditure reflected the delivery of new government priorities – particularly, major energy reforms like VicGrid, the new State Electricity Commission and offshore wind development. It also noted that 2023–24 included a full year of expenditure following machinery of government changes, compared to only 6 months in 2022–23.
- DE attributed its increased spending to new government priorities and maintained that it still met its CLHP savings target. It noted that increased expenditure does not necessarily mean it did not deliver its savings. DE told us that a considerable proportion of increased spending is because of reporting changes rather than an increase in actual spend.

Savings over the forward estimates

While departments reported delivering their 2023–24 DER savings, delivery of some savings targets over the forward estimates is uncertain as they are subject to other government decisions. Some departments also identified challenges that may affect their ability to meet some savings targets across the forward estimates.

- Some of DEECA's organisational restructure did not generate the full amount of allocated savings, but it anticipates it will deliver these savings in 2025–26. Other initiatives require further decisions by government or DTF.
- DTP identified a residual shortfall in FTE reductions and is working to address this through future budget cycles.
- DFFH is awaiting ministerial approval to implement changes required to deliver \$3 million of its total ongoing DER savings target (\$29.4 million). Implementation is scheduled to begin in mid-2025, pending ministerial approval.
- DJSIR reported some financial and operational pressures affecting CLHP savings, but it does not believe there is a risk to achieving its CLHP savings because it has embedded these savings in its forward estimates strategy, has already significantly reduced its CLHP spend and is monitoring spend closely at the executive board level.

DJSIR raised concerns with DTF about its CLHP savings allocation proportion compared to its base funding. Much of its CLHP expenditure is tied to fixed-term programs, but the savings requirement is ongoing.

Across both DER and CLHP savings, departments emphasised that year-on-year savings may not always translate into a net reduction in expenditure due to factors such as new government priorities, machinery of government changes and fixed funding profiles.

DTF said that department secretaries have flexibility in how they deliver CLHP savings under the department funding model, provided they deliver outputs at an agreed price.

CLHP savings allocated to departments from 2024–25 to 2026–27 are more than 3 times greater than the allocation in 2023–24. Departments said that they are managing these savings holistically and did not raise any material risks to achieving them.

Most departments monitored their overall budgets, not delivery of their individual savings targets

Tracking DER implementation plans

Most departments monitor DER savings delivery overall and not by individual savings targets.

Only DEECA tracked delivery against specific DER savings initiatives, in both cost savings and reduced FTE. Other departments tracked delivery at a whole-of-organisation level. This included:

- tracking implementation of organisational restructures aligned with total DER savings targets
- monitoring overall departmental or business area budgets adjusted for DER savings.

This means that most departments:

- cannot clearly demonstrate they met individual DER initiative targets
- cannot clearly attribute FTE reductions to individual DER initiatives.

Departments aimed to manage expenditure within their approved output funding. But their budgets change during the financial year due to internal reallocations and new or revised funding decisions. This makes it difficult for departments to isolate and disclose DER savings delivery and impact from broader budget changes.

DTF said that departments can deliver savings even if their total spending increases year-on-year. It said this can happen when their base funding and expenditure increases, offsetting their savings.

DPC reporting requirements

In July 2024, departments reported to DPC on the status of delivering their DER savings. For each initiative, DPC requested departments identify the annual agreed and expected savings over the forward estimates for each DER initiative but did not require FTE reductions by DER initiative.

Departments only had to report:

- total FTE impacts and by department group (actual as of 30 June 2024 and for the 2024–25 budget, and forecast for 30 June 2025)
- progress on implementing FTE reductions.

DPC told us that tracking FTE reductions at the initiative level is difficult because:

- departments typically receive reduced output funding, not specific headcount targets, which gives departments flexibility in how they deliver savings
- while departments estimated FTE reductions in their implementation plans, they made final decisions during implementation, choosing to reduce staff or other expenses, such as overheads
- staff movements are influenced by recruitment cycles, new programs and restructures
- systems do not link staffing data to individual initiatives, so tracking FTE reductions at a detailed level across all business areas is resource intensive.

DFFH said that due to the scale of savings, it is resource intensive to reconcile individual role reductions to specific DER initiatives and was not a priority in a resource-constrained environment, when it could assure it delivered savings by looking at its budgets and workforce figures.

DJSIR said that it is necessary for departments to implement FTE reductions holistically, taking into consideration all required changes to meet savings and cost pressures, and to engage with impacted employees consistently and appropriately.

It said that it is not always constructive or sensible to allocate individually impacted full-time roles to specific savings initiatives, particularly when the savings initiatives are broadly defined, as were DJSIR's DER initiatives. DJSIR said that this may be more appropriate for highly targeted FTE savings initiatives.

Monitoring and reporting CLHP savings

DPC last requested departments to report back on the status of implementing COVID Debt Repayment Plan savings in July 2024, along with other outstanding savings.

DPC did not request departments to specify CLHP savings delivered against the targets for 2023–24. Departments only had to report on total CLHP expenditure.

Departments' public reporting on savings is inconsistent and lacks transparency

Public reporting Departments do not have to report publicly on DER or CLHP savings delivery or impacts in budget papers or their annual reports.

While some departments' performance statements include staffing and financial data, they do not include savings targets, delivery status or information about affected roles and services. This limits visibility of whether departments met government's public commitments under the COVID Debt Repayment Plan.

Departments report some of this information through the annual PAEC financial and performance outcomes questionnaire.

In 2023–24, all departments said they met their DER savings targets. But reporting was high level and inconsistent.

Most departments described general actions such as FTE reductions, organisational restructures or reduced use of contractors. But few explained how they ensured that they maintained services or protected frontline roles. None linked savings to specific DER initiatives.

Service delivery impacts

Some departments provided insights on service delivery impacts in their response to the 2023–24 PAEC financial and performance outcomes questionnaire. For example:

- DJSIR acknowledged service delivery impacts such as longer mediation wait times at the Victorian Small Business Commission and longer processing times for other programs
- DJCS identified specific functions targeted for reduction, such as policy, strategy, and business support, and said that this meant that it had to stop or rescope some work.

DPC, DH and DFFH stated in their responses to the same questionnaire that savings had no impact on service delivery but did not explain why. For example, DH reported that it delivered savings through a restructure and cut FTE through separation packages and reducing vacant positions. But it did not clarify in the questionnaire which roles it reduced or whether affected areas were back office or frontline service delivery.

FTE reductions

None of the departments reported the total FTE reduced to deliver DER savings in the financial and performance outcomes questionnaire.

In March 2024, PAEC requested departments report on this in a separate 2024–25 budget estimates questionnaire. No department did except DE. All other departments deferred reporting on workforce data until their 2023–24 annual reports.

Savings classifications

Financial and performance outcomes questionnaire responses for PAEC also showed inconsistent savings classifications. Some departments reported DER savings under the COVID Debt Repayment Plan, while others reported them under whole-of-government efficiencies.

Additionally, departments will not be able to report delivery of CLHP savings specific to the COVID Debt Repayment Plan from 2024–25. DTF combined CLHP targets under the COVID Debt Repayment Plan and the *2022 Labor Financial Statement*, as Figure 9 shows. This means that the public cannot trace departments' delivery of the CLHP savings component back to the COVID Debt Repayment Plan.

Inconsistent reporting

Inconsistent reporting makes it difficult for Parliament and the public to determine whether departments delivered their savings as intended and aligned with the government's commitment to protect frontline services.

Consolidated and consistent reporting against DER and CLHP savings targets in departments' annual reports or future financial and performance outcomes questionnaire responses, together with more detailed information on departments' actions to minimise frontline service impacts, can help address this.

5.

Assessing savings' impacts

Departments we examined did not actively assess how savings affected either frontline or back-office services.

Departments' existing performance measures do not track savings' impacts and do not consistently measure all outputs across all business areas.

Without targeted metrics or specific monitoring, departments cannot show if savings affected service delivery.

Covered in this section:

- Departments we examined in detail
- Departments lacked targeted measures to assess frontline and back-office impacts
- Some business areas reprioritised work after DER savings

Departments we examined in detail

Understanding savings' impacts We examined DE, DEECA, DH and DJCS in more detail to understand whether they assessed savings' impacts on both frontline and back-office services.

We interviewed 2 business areas with potential service delivery risks linked to DER savings within each department. We identified these areas from the departments' implementation plans.

Figure 11: Interviewed business areas from the 4 departments VAGO examined in detail

Department	Business areas
DE	<ul style="list-style-type: none">• Information Management and Technology Services• Performance and Evaluation
DEECA	<ul style="list-style-type: none">• Agriculture Victoria• Bushfire and Forest Services
DH	<ul style="list-style-type: none">• Mental Health and Wellbeing• People, Operations, Legal and Regulation
DJCS	<ul style="list-style-type: none">• Police, Racing, Victims and Coordination• Emergency Management

Source: VAGO, based on departments' information.

Departments lacked targeted measures to assess frontline and back-office impacts

Tracking individual savings' targets

The government committed that savings under the COVID Debt Repayment Plan would not affect frontline service delivery and would make government more efficient. But no department we looked at in detail could demonstrate that they assessed or tracked individual DER initiatives' impact on service delivery.

The departments we examined in detail all use standard output measures, including those in budget papers. But these measures are not designed to assess individual DER initiatives' impact on frontline services. Departments could not isolate or correlate changes in service levels to savings initiatives.

Back-office metrics

None of the departments we looked at in detail have measures to assess back-office impacts. We examined *Budget Paper No. 3: Service Delivery 2023–24* output measures. These measures were too broad or high level to link to specific back-office deliverables. These departments did not have a framework to assess back-office productivity or efficiency before and after implementing DER savings. While the DER savings were designed to improve efficiency, these departments could not show that affected business areas maintained output with fewer staff.

For example:

- DE's Strategy and Secondary School Reform Group (former Policy Strategy and Performance Group) contributes to the National Assessment Program – Literacy and Numeracy, and school attendance outcomes measures. DE reports these measures in budget papers, DE's annual report and My School (a website with information about Australian schools such as enrolment numbers, school funding and National Assessment Program – Literacy and Numeracy performance). But these measures are not specific to the Strategy and Secondary School Reform Group (former Policy Strategy and Performance Group) and DE cannot disaggregate this group's contribution to these measures from contributions of other DE areas.
 - DH said that it does not set or monitor output levels for most of its internal operational activities, such as the number of consultations necessary to design a program or develop policy. The volume of these internal activities may vary in response to changing government priorities and associated allocation of resources. DH said that, even so, it still delivered the intended program or policy.
-

Assessing savings' impacts

Departments gave several reasons for not establishing targeted performance measures to assess how DER savings affected service delivery. We outline them in Figure 12. These reasons were broadly consistent across frontline services and back-office deliverables.

Figure 12: Reasons for not establishing targeted performance measures to assess how DER savings affected service delivery

Service area	Reasons
Common reasons across all service areas	<ul style="list-style-type: none"> • No requirement to assess impact: DPC and DTF did not ask departments to measure or report the service impacts of DER savings. DEECA said that it complies where the government mandates centralised reporting on savings progress. When the government provides a general savings target, DEECA does not create custom reporting for every savings decision, as it is not financially efficient or effective. • Complex and dynamic environments: Departments work in shifting environments, where changes to programs, policies and restructures influence workforce needs. This includes new or lapsing programs and machinery of government changes. • Overlapping reform pressures: DEECA noted that DER savings were introduced alongside multiple other reforms and fiscal policy settings. This made it difficult to isolate the effect of individual DER savings initiatives. • Using existing performance monitoring: DE considered that existing reporting, such as output measures in the annual Budget Paper No. 3: Service Delivery and the Departmental Performance Statement, is sufficient in identifying frontline service impacts and whether they were impacted by DER savings. DE said that additional targeted monitoring of DER savings is an ineffective use of resources and goes against generating back-office efficiencies to deliver savings. • Whole-of-budget monitoring: DEECA said that it reports on savings where formal reporting is mandated. But it does not track savings at an initiative level where departments receive a general savings allocation. DEECA considers this type of tracking inefficient and not meaningful, as departments have to manage their budget holistically under the financial management framework, and the volume and diversity of cost pressures can be from multiple sources, not just savings decisions. DEECA said its internal financial reporting specifically looks at expenditure against budget holistically so that it can take corrective action as needed.
Additional views specific to frontline services	<p>DH and DJCS excluded frontline roles from DER savings. On that basis, they assumed frontline services remained unaffected and did not consider impact assessments necessary. But neither department tested this assumption through service-level monitoring.</p>
Challenges in assessing back-office impacts	<ul style="list-style-type: none"> • Lack of clear output measures: Some back-office work, such as coordination tasks or briefing ministers, does not produce outputs that departments can easily quantify. • Changing work plans: Organisational restructures often reshaped business plans, making before and after comparisons difficult. • Unmeasured productivity effects: Some business areas noted that staffing reductions had affected morale and team capacity. These impacts are difficult to quantify but may reduce output or increase delivery risk in less visible ways.

Source: VAGO, based on departments' information.

Some business areas reprioritised work after DER savings

Managing work with fewer staff

While departments did not formally assess the impact of DER savings, all interviewed business areas said they had to reprioritise, scale back or reallocate work to manage with fewer staff. This included the DH Mental Health and Wellbeing division, which was already adjusting its work program due to other reasons.

For example, DEECA said that project milestones are actively reprioritised to manage competing priorities on occasions where workload is challenging.

We highlight 2 case studies below.

Case study 1: DE (Performance and Evaluation division)

DE adjusted performance and evaluation functions following FTE reductions

The Performance and Evaluation Division at DE is responsible for data insights, performance reporting on the state's education system and supporting the department's research and evaluation program.

DE reduced 16 FTE in the in-house evaluation area. In response, the division:

- reduced and prioritised in-house evaluations to focus on high-impact programs, such as workforce attraction and equity funding
- streamlined the department's evaluation work plan to maintain oversight and ensure value for money
- transferred some evaluation responsibilities to program areas, with support to procure services from external providers, where needed.



Source: VAGO interview with department business area.

Case study 2: DJCS (Police, Racing, Victims and Coordination)

DJCS restructured some coordination and engagement work to manage FTE reductions

The Police, Racing, Victims and Coordination group manages legislative and contractual obligations across key government priorities in policing, racing, and victim support.

DJCS reduced 64 policy and coordination FTE across 2 Police, Racing, Victims and Coordination branches:

- Strategic Coordination and Ministerial Services
- Service Delivery Reform and Crime Prevention.

As a result, the group:

- reprioritised resources to focus on core government priorities
- scaled back discretionary work, including some coordination and engagement, and duplication in internal whole-of-government reporting
- reassigned non-critical coordination tasks to other business units.



Source: VAGO interview with department business area.

6.

Appendices

There are 3 appendices covering responses from audited agencies and information about how we perform our work.

Appendix A: Submissions and comments

Appendix B: Abbreviations, acronyms and glossary

Appendix C: Audit scope and method

Appendix A:

Submissions and comments

We consulted with 9 Victorian Government departments, and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the relevant agency head.

Responses received

Agency	Page
Department of Education	A-2
Department of Energy, Environment and Climate Action	A-3
Department of Families, Fairness and Housing	A-4
Department of Health	A-5
Department of Jobs, Skills, Industry and Regions	A-6
Department of Premier and Cabinet	A-7
Department of Transport and Planning	A-9
Department of Treasury and Finance	A-10



Department of Education

Secretary

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COR25164934

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
[REDACTED]

Dear Mr Greaves

Proposed report: Delivering savings under the COVID Debt Repayment Plan

Thank you for your letter of 1 July 2025 and the opportunity to comment on the proposed report for this performance audit.

The Department of Education is committed to delivering savings and efficiencies consistent with the COVID Debt Repayment Plan. The department has reviewed the proposed report and has no feedback.

Should your staff wish to discuss the department's response, they may contact Ms Shamiso Mtenje, Executive Director, Assurance, Knowledge and Executive Services on [REDACTED].

Yours sincerely

[REDACTED]

Tony Bates PSM
Acting Secretary
10/07/2025

Your details will be dealt with in accordance with the *Public Records Act 1973* and the *Privacy and Data Protection Act 2014*. Should you have any queries or wish to gain access to your personal information held by this department please contact our Privacy Officer at the above address





Department of Energy, Environment
and Climate Action

PO Box 500, East Melbourne,
Victoria 8002 Australia

SEC-250700030

Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31 / 35 Collins Street
MELBOURNE VICTORIA 3000

Via email: [REDACTED]

Dear Auditor-General

Proposed draft report – Delivering Savings Under the COVID Debt Repayment Plan

Thank you for your invitation to comment on the Victorian Auditor-General's Office's (VAGO) proposed draft report for the performance engagement - *Delivering Savings Under the COVID Debt Repayment Plan*.

The Department of Energy, Environment and Climate Change (DEECA) supports the need for a consistent approach to identifying, defining and protecting frontline roles and reporting on savings implementation.

DEECA welcomes your findings and will adhere to any further requirements that are set by the Department of Treasury and Finance and Department of Premier and Cabinet.

I thank your staff for their work and look forward to a continued productive relationship with your office.

Yours sincerely

[REDACTED]

John Bradley
Secretary

14/07/2025





Secretary

Department of Families, Fairness and Housing

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BAC-CO-56669

Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Andrew

Thank you for your correspondence regarding the Victorian Auditor-General's Office (VAGO) proposed report on delivering savings under the COVID Debt Repayment Plan.

I acknowledge VAGO's recommendations, directed to the Departments of Premier and Cabinet and Treasury and Finance, regarding the delivery of savings, including:

- aligning savings with government commitments;
- defining frontline workers and services; and
- the approach to public reporting on savings delivery.

The Department of Families, Fairness and Housing will work collaboratively with central agencies on these matters, consistent with VAGO's recommendations.

Thank you for the opportunity to respond to the report.

Yours sincerely



Peta McCammon
Secretary

11/07/2025





Secretary

Department of Health

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BAC-CO-56668

Andrew Greaves
Auditor-General
Victorian Auditor-General's Office

Via e-mail: [REDACTED]

Dear Mr Greaves

VAGO Proposed Report: Delivering savings under the COVID Debt Repayment Plan

Thank you for your letter of 1 July 2025 and for providing the opportunity to review and comment on the *Proposed Report: Delivering savings under the COVID Debt Repayment Plan*.

The department notes the findings and has no further comments on the proposed report.

I would like to take this opportunity to thank your staff for working collaboratively with our department. Should your office have any queries, please contact Ben Skinner, Chief Audit & Risk Officer at the Department of Health at [REDACTED].

We look forward to receiving a copy of the final report.

Yours sincerely

[REDACTED]

Jenny Atta PSM
Secretary

16 / 07 / 2025

Copy: [REDACTED]





Department of Jobs, Skills, Industry and Regions

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Ref: CSEC-2-25-26718

Mr Andrew Greaves
Auditor General
Victorian Auditor General's Office
Level 31, 35 Collins Street
MELBOURNE VICTORIA 3000

Dear Mr Greaves

VAGO PROPOSED REPORT: DELIVERING SAVINGS UNDER THE COVID DEBT REPAYMENT PLAN

Thank you for your letter dated 1 July 2025 regarding the VAGO Proposed report: Delivering savings under the COVID Debt Repayment Plan.

The department notes the proposed report and has no further feedback.

We would like to take this opportunity to thank you for your collaborative efforts and the professional manner in which the audit was conducted.

If you require further information, please contact Karan Gill, Chief Audit Officer per [REDACTED].

Yours sincerely

[REDACTED]

Heather Ridley
Acting Secretary

11/07/2025





Department of
Premier and Cabinet

1 Treasury Place
Melbourne, Victoria 3002 Australia
Telephone: 03 9651 5111
dpc.vic.gov.au

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

BSEC-250700006

Dear Auditor-General

Thank you for your letter of 1 July 2025 and for the opportunity to respond to the Proposed Report on *Delivering savings under the COVID Debt Repayment Plan*.

I welcome the proposed report and acknowledge the work of your office in conducting this audit. This report importantly acknowledges that all departments in-scope for the audit confirmed implementation of their 2023-24 savings targets.

Please find attached an action plan responding to the two recommendations directed towards the Department of Premier and Cabinet (DPC). DPC accepts both recommendations. We will work to support the Department of Treasury and Finance in the implementation of these recommendations noting it is the most appropriate department to lead on the delivery of these recommendations given its central role in the coordination and implementation of whole of government savings.

Should you require further information in relation to DPC's response, please contact Marcus Walsh, Executive Director, DPC at [REDACTED].

Yours sincerely



Jeremi Moule
Secretary

...15/...7.../2025

Encl.



Department of Premier and Cabinet action plan to address recommendations from *Delivering savings under the COVID Debt Repayment Plan*

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1	Provide departments with clearer guidance on how to align savings initiatives with government commitments, particularly when the commitments involve protecting frontline workers and services.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	DTF will work with DPC to ensure clarity in guidance to departments for any future savings program decisions by government.	Ongoing
2	Work with the relevant agencies to develop whole-of-government principles which assist departments to define frontline workers and services, to support planning for future savings programs.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	DTF will work with DPC and VPSC to develop a common VPS definition of frontline workers and services to support consistent advice and reporting. DPC notes however that any definition used for the purpose of scoping future savings programs will be a decision of government.	June 2026



Department of Transport and Planning

GPO Box 2392
Melbourne, Victoria 3001 Australia

Ref: BSEC-1-25-2852

Mr Andrew Greaves
Auditor-General of Victoria
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves

Victorian Auditor-General's Office - Delivering savings under the COVID Debt Repayment Plan - Proposed report

Thank you for your letter of 1 July 2025 enclosing the proposed report (the Report) for the *Delivering savings under the COVID Debt Repayment Plan* performance audit.

On behalf of the Department of Transport and Planning (the Department), I note the findings of the Report and agree that visibility of savings delivery is important to maintain the public's confidence in the state's ability to manage its budget while continuing to deliver the same high level of frontline service that Victorians deserve. I welcome the Report's recognition that the Department's saving initiatives have not impacted on our frontline workers.

The Department acknowledges the recommendations raised for the central agencies and will continue to comply with the directions and guidance provided by the Department of Treasury and Finance.

Thank you for the opportunity to comment on the Report.

Yours sincerely



Will Tieppo
Acting Secretary

Date: 09 July 2025





Department of Treasury and Finance

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Telephone: +61 3 9651 5111
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D25/70573

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000



Dear Auditor-General

DTF RESPONSE TO PROPOSED REPORT – DELIVERING SAVINGS UNDER THE COVID DEBT REPAYMENT PLAN

Thank you for your letter dated 1 July 2025 inviting the Department of Treasury and Finance to respond to the proposed report for the *Delivering savings under the COVID Debt Repayment Plan* performance audit.

We acknowledge the key findings of the engagement and appreciate your consultative approach. We are broadly comfortable with the report's findings and recommendations, and I have no issues to raise. The Department of Treasury and Finance's Action Plan outlining the department's response to your recommendations is attached.

Thank you again for the opportunity to respond to the proposed report.

Yours sincerely



Chris Barrett
Secretary

14/7/2025



Department of Treasury and Finance action plan to address recommendations from *Delivering savings under the COVID Debt Repayment Plan*

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1	Provide departments with clearer guidance on how to align savings initiatives with government commitments, particularly when the commitments involve protecting frontline workers and services.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	DTF will work with DPC to ensure clarity in guidance to departments for any future savings program decisions by government.	Ongoing
2	Work with the relevant agencies to develop whole-of-government principles which assist departments to define frontline workers and services support planning for future savings programs.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	DTF will work with DPC and the Victorian Public Service Commission to develop a common VPS definition of a frontline worker and services to support consistent advice and reporting. DTF notes however that any definition used for the purpose of scoping future savings programs will be a decision of Government.	June 2026
3	Work with departments to improve the quality and consistency of public reporting on savings delivery. This includes: <ul style="list-style-type: none"> • consistently and accurately reporting on savings targets and savings achieved • describing how departments protected frontline services. 	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	DTF will continue to work with departments to improve the quality and consistency of public reporting on delivery of Government approved savings measures by providing clear guidance for how delivery of savings should be publicly disclosed and how Government priorities should be communicated.	Ongoing

Appendix B:

Abbreviations, acronyms and glossary

Abbreviations We use the following abbreviations in this report:

Abbreviation	Full spelling
COVID Debt Repayment Plan	<i>Victorian Budget 2023/24: Doing What Matters: COVID Debt Repayment Plan</i>
Independent Review	Independent Review of the Victorian Public Service

Acronyms We use the following acronyms in this report:

Acronym	Full spelling
CLHP	consultancy, labour hire and professional services
DER	departmental expenditure review
DE	Department of Education
DEECA	Department of Energy, Environment and Climate Action
DFFH	Department of Families, Fairness and Housing
DGS	Department of Government Services
DH	Department of Health
DJSIR	Department of Jobs, Skills, Industry and Regions
DJCS	Department of Justice and Community Safety
DPC	Department of Premier and Cabinet
DTP	Department of Transport and Planning
DTF	Department of Treasury and Finance
FTE	full-time equivalent
PAEC	Public Accounts and Estimates Committee
VAGO	Victorian Auditor-General's Office
VPS	Victorian Public Service
VPSC	Victorian Public Sector Commission

Glossary

The following terms are included in or relevant to this report

Term	Explanation
Level of assurance	<p>This is a measure of the confidence we have in our conclusions. The quality and quantity of evidence we obtain affects our level of assurance.</p> <p>We design our work programs with the information needs of our report users in mind. We consider if we need to provide them with reasonable assurance or if a lower level of assurance may be appropriate.</p>
Limited assurance	<p>We obtain less assurance when we rely primarily on an agency's representations and other evidence generated by that agency. However, we aim to have enough confidence in our conclusion for it to be meaningful. We call these types of engagements assurance reviews and typically express our opinions in negative terms. For example, 'nothing has come to our attention to indicate there is a problem'.</p> <p>See our assurance services fact sheet for more information.</p>
Reasonable assurance	<p>We achieve reasonable assurance by obtaining and verifying direct evidence from a variety of internal and external sources about an agency's performance. This enables us to draw a conclusion against an objective with a high level of assurance. We call these performance audits.</p> <p>See our assurance services fact sheet for more information.</p>

Appendix C:

Audit scope and method

Scope of this audit

Who we examined

We examined the following agencies:

Agency	Key responsibilities
DE, DEECA, DFFH, DH, DJCS, DJSIR and DTP	Develop and implement measures to deliver savings.
DPC	<ul style="list-style-type: none"> As a central agency: <ul style="list-style-type: none"> provide advice to the Premier and Cabinet on savings, such as briefings on departments' proposed savings measures and developing whole-of-government reports and status updates on savings delivery provide guidance to departments, such as standardised templates, to support whole-of-government development of savings measures and reporting on savings delivery As a department, develop and implement measures to deliver savings
DTF	<ul style="list-style-type: none"> As a central agency: <ul style="list-style-type: none"> manage the state's budget and finances, including allocating departmental funding and savings provide budget and financial advice to the Treasurer, ministers, Cabinet and Cabinet subcommittees, such as departments' savings measures and financial performance provide advice and guidance to departments on proposed savings measures As a department, develop and implement measures to deliver savings

Our audit objective

Are departments implementing a plan to deliver savings and efficiencies consistent with the COVID Debt Repayment Plan?

What we examined

We examined DPC's and DTF's role in supporting and coordinating whole-of-government delivery of savings. This involved assessing their:

- guidance and communication to departments on savings allocation, measures and delivery
- advice to Cabinet and its subcommittees on proposed savings measures
- whole-of-government reporting on savings delivery.

We examined all departments' savings allocations and their approaches to develop, implement and monitor delivery of savings measures. This involved assessing their:

- DER implementation plans
- relevant internal guidance and communication
- organisational restructure documents
- relevant internal briefings on savings proposals and delivery.

We selected DE, DEECA, DH and DJCS as the departments we examined in detail to understand savings' impacts. We selected them based on the size of their allocated savings in 2023–24. We interviewed 2 business areas at each department to assess savings' impacts. We selected these areas based on FTE reductions size and negative impact on service delivery risk as set out in the departments' DER implementation plans.

We analysed publicly available information on departments' COVID Debt Repayment Plan savings delivery status to assess if it is transparent and consistent.

Aspects of performance examined

Our mandate for performance audits and reviews includes the assessment of economy, effectiveness, efficiency and compliance (often referred to as the '3Es + C').

In this audit we focused on the following aspects:

Economy	Effectiveness	Efficiency	Compliance
○	●	●	●

Key:

- Primary focus
- Secondary focus
- Not assessed

Conducting this audit

Assessing performance

To form a conclusion against our objective we used the following lines of inquiry and associated evaluation criteria.

Line of inquiry	Criteria
1. Departments' plans to deliver savings and efficiencies are consistent with the COVID Debt Repayment Plan.	1.1 Central agencies provide clear guidance to departments on how to implement savings consistent with the COVID Debt Repayment Plan.
	1.2 Departments have clear guidance and plans to deliver savings and efficiencies consistent with the COVID Debt Repayment Plan.
2. Departments are on track to deliver savings and efficiencies, while maintaining frontline services.	2.1 Departments are on track to deliver their savings.
	2.2 Departments have maintained frontline services while assessing and managing the impact of these savings, including on service delivery.

Our methods

As part of the audit, we:

- reviewed documentation relating to developing, implementing and assessing impact of DER and CLHP savings, such as implementation plans, central agency and internal guidance, organisational restructure proposals and performance reports
- interviewed staff at 9 departments
- analysed data on departmental funding, savings and CLHP expenditure.

Level of assurance

In an assurance review, we primarily rely on the agency's representations and internally generated information to form our conclusions. By contrast, in a performance audit, we typically gather evidence from an array of internal and external sources, which we analyse and substantiate using various methods. Therefore, an assurance review obtains a lower level of assurance than a performance audit (meaning we have slightly less confidence in the accuracy of our conclusion).

Compliance

We conducted our audit in accordance with the *Audit Act 1994* and ASAE 3500 Performance Engagements to obtain reasonable assurance to provide a basis for our conclusion.

We complied with the independence and other relevant ethical requirements related to assurance engagements.

Cost and time

The full cost of the audit and preparation of this report was \$760,000.

The duration of the audit was 11 months from initiation to tabling.

Auditor-General’s reports tabled in 2025–26

Report title	Tabled
<i>Delivering Savings Under the COVID Debt Repayment Plan (2025–26: 1)</i>	July 2025

All reports are available for download in PDF and HTML format on our website at www.audit.vic.gov.au

Our role and contact details

The Auditor-General's role

For information about the Auditor-General's role and VAGO's work, please see our online fact sheet [About VAGO](#).

Our assurance services

Our online fact sheet [Our assurance services](#) details the nature and levels of assurance that we provide to Parliament and public sector agencies through our work program.

Contact details

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