PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

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Report on the 2007-08 Financial and Performance Outcomes

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Parliament of Victoria

Public Accounts and Estimates Committee

Report on the 2007-08 Financial and Performance Outcomes

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP - 56TH PARLIAMENT

Bob Stensholt MP (Chair)

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Gordon Rich-Phillips MLC

Richard Dalla-Riva MLC

Robin Scott MP

Bill Sykes MP

* Jennifer Huppert MLC was appointed to the Committee on 5 February 2009 by the Legislative Council following the resignation of Martin Pakula MLC on 4 February 2009.

** Sue Pennicuik MLC was appointed to the Committee on 31 March 2009 by the Legislative Council following the resignation of Greg Barber MLC on 30 March 2009.

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

Executive Officer:	Valerie Cheong
Senior Research Officer:	Kristopher Waring
Research Officers:	Ian Claessen Charlotte Jeffries David Baker Glen Kong
Specialist Advisor:	Joe Manders
Business Support Officer	Melanie Hondros
Administration Officer (Temporary):	Lisa Burton

DUTIES OF THE COMMITTEE

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

The Committee comprises 10 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

Since the formation of the Public Accounts and Estimates Committee in March 2007, it has been my belief, as Chair of the Committee, that the preparation of the *Report on 2007-08 Financial and Performance Outcomes* should represent one of the main report outcomes of the Committee for the year, complementing the Committee's other core function on the Budget Estimates. The Committee has delivered on this expectation for 2007-08.

Consistent with the functions of the Committee, the *Inquiry into the 2007-08 Financial and Performance Outcomes* for 2007-08 encapsulates an examination of issues associated with accountability and transparency in public administration and public sector finances. The reporting of meaningful information in the report is designed to contribute to improved accountability and performance. This objective is particularly relevant, given the challenges facing Victoria from the global economic circumstances.

This report, which builds on the features of past outcomes reports of the Committee, captures new themes that include:

- risk management;
- procurement; and
- grants.

In commending the report to the Parliament, I encourage interested parties to examine its contents and the Government to implement the Committee's recommendations in full.

For the future, the Committee recognises that the *Growing Victoria Together* initiative, while remaining relevant as a macro strategic document of the Government, is only one of a number of key policies of the Government. For this reason, the Committee intends to expand the *Growing Victoria Together* section of the report to include an examination of performance against various other major policy pronouncements included in the Government's *Annual Statement of Government Intentions.*

This approach will present a unique and timely opportunity for the Committee to provide a snapshot of how the Government has performed in terms of delivering financial and performance outcomes against its policy objectives and targets across a wide range of contemporary fronts, three years into its term of office.

At this time next year, it is foreshadowed that the Government could be implementing a historic overhaul of the *Financial Management Act* 1994, a precursor for changes in government reporting to a greater emphasis on outcomes-based reporting. The Committee will maintain an ongoing interest to ensure Parliamentary reporting requirements by government are fulfilled in the transitionary period to any new government directions on financial and performance outcomes reporting.

The Committee looks forward to tackling these challenges so that its reports remain at the forefront of excellence in accountability to Parliament.

On behalf of the Committee, I wish to extend my thanks to the Committee's Secretariat staff for their assistance in helping deliver this report within the Committee's tight schedule of inquiries. I wish also to extend the Committee's appreciation to Ministers, departments and agencies for their timely cooperation in assisting the Committee in this inquiry.

Bob Stensholt MP

Chair

RECOMMENDATIONS

The Committee recommends that:

Recommendation 1: **The Auditor-General expedite the development of quantifiable measures of the impacts of his reports and recommendations on audited departments and agencies. 26**

Recommendation 2: **The Government revisits the rejected recommendations from the Report on the 2006-07 Financial and Performance Outcomes when preparing its response to the Report on the 2007-08 Financial and Performance Outcomes. 28**

Recommendation 3: **The Department of Treasury and Finance develop a revenue master plan that will promote the generation of revenue for the State at levels that will enable the Government to deliver on its budget commitments over the forward estimates period. 51**

Recommendation 4: **As the Government's end of year Financial Report for the State of Victoria constitutes the Government's key accountability document for the management and stewardship of the State's finances, the Department of Treasury and Finance consider including a comparative analysis of actual revenue results for the General Government Sector compared to both the latest estimate during a financial year and the outcome for the previous financial year. 53**

Recommendation 5: **The Department of Treasury and Finance, as part of its financial strategy to provide full disclosure of financial information, report the quantum of actual tax relief provided during the year against the planned initiatives announced in the budget. 58**

Recommendation 6: **The Victorian Managed Insurance Authority include, within its forward risk management program, guidance and training for public sector entities to assist their management of statewide and inter-agency risks. 73**

Recommendation 7: **Departments establish knowledge management processes and systems that facilitate the sharing of expert knowledge and lessons learnt in the planning and timing of major infrastructure projects. This is essential in the planning stages of a project. 79**

Recommendation 8:	**The Department of Treasury and Finance review the practice of conservative estimation of funding requirements and timing of major infrastructure projects and develop or revise guidelines for departments on best practice principles.**	**80**
Recommendation 9:	**The Department of Education and Early Childhood Development examine appropriate means to provide the Committee with more accurate and detailed staff cost information in future years.**	**105**
Recommendation 10:	**The Department of Treasury and Finance consider amending the financial reporting disclosure requirements for government departments in regard to annual performance bonuses paid to executives to include a minimum of three years of data showing the number of executives eligible for a performance bonus, the number of executives awarded a performance bonus, and the total value of executive performance bonuses paid.**	**111**
Recommendation 11:	**Departments detail the milestones used and service delivery achieved as part of reporting of procurement contracts in annual reports.**	**127**
Recommendation 12:	**Departments and agencies ensure staff responsible for authorising and managing procurement attend relevant courses offered by the Procurement and Contracting Centre for Education and Research, or similar, and that staff with these responsibilities receive accreditation for the training.**	**135**
Recommendation 13:	**South East Water develop accounting requirements for grant projects which grant applicants must address in the application process.**	**143**
Recommendation 14:	**The Department of Education and Early Childhood Development publicly report, on an annual basis, the itemised details of grants made to non-government schools.**	**144**
Recommendation 15:	**To enhance public accountability, government departments and agencies disclose in their annual reports, all grant payments as per the Department of Innovation, Industry and Regional Development Annual Report, Appendix 13.**	**153**

Recommendation 16: **The Department of Premier and Cabinet and the Department of Planning and Community Development ensure that reporting systems are in place for future years that disaggregate efficiency savings so that a fuller, transparent reporting of savings under the Efficient Government Policy ($447 million target over four years) can be achieved. 163**

Recommendation 17: **The Government Services Group within the Department of Treasury and Finance issue, as part of its advisory functions, guidance material to departments to assist their voluntary reporting to Parliament in annual reports on their performance in achieving savings targets. 165**

Recommendation 18: **The Auditor-General examine the effectiveness of strategies employed by central government and departments in the attainment of savings targets under the government's savings program. 165**

Recommendation 19: **The Department of Innovation, Industry and Regional Development disclose, in future annual reports, progress made towards achieving the outcome targets identified in the Seizing Global Opportunities strategy, including information on the estimated contribution of strategy reforms to the State's 2015 export target. 180**

Recommendation 20: **The Department of Education and Early Childhood Development continue to improve kindergarten participation rate and Year 5 students' numeracy proficiency to meet/exceed set targets. 181**

Recommendation 21: **When reporting outcome achievements, departments include details of performance measures and targets for each program outcome that demonstrates effectiveness of service delivery. Performance measures and targets also be identifiable in the State budget paper. 189**

Recommendation 22: **The Department of Planning and Community Development review the number of its output performance targets identified in Budget Paper No. 3. 210**

Recommendation 23: **The Department of Innovation, Industry and Regional Development disclose both qualitative and quantitative outcomes achieved under the Investment Support Program, together with explanations in relation to material actual to target variations in future Annual Reports. 231**

Recommendation 24: **In view of the many targets which were significantly exceeded in 2007-08, the Department of Innovation, Industry and Regional Development consider putting in place a more rigorous target setting process to generate more meaningful (realistic and stretch) performance targets. 232**

Recommendation 25: **In line with best practice for public accountability, the Department of Premier and Cabinet disclose output costs, together with explanations to material actual to target variations in future Annual Reports. 248**

Recommendation 26: **The Department of Justice report office-based energy use for all staff and all locations in its 2008-09 Annual Report. 263**

Recommendation 27: **The Department of Treasury and Finance revise FRD 24C to require mandatory disclosure of papers used in publications and percentage of publications available electronically. 269**

Recommendation 28: **The Department of Treasury and Finance and the Department of Sustainability and Environment, collaborate to develop guidelines to enable departments to report the costs and savings associated with their office-based environmental activities. 282**

Recommendation 29: **Future Annual Reports of Operations disclose all the mandatory information in accordance with FRD 24C, including segment data, future targets and performance trends. 284**

Recommendation 30: **The Department of Treasury and Finance and the Environment Protection Authority revise the FRD guidance and provide clearer directions to implementation of FRD 24C. 284**

Recommendation 31: **The Department of Treasury and Finance and the Environment Protection Authority incorporate the Commissioner for Environmental Sustainability's recommendations in revising FRD 24C and related guidance. 284**

Recommendation 32: **Where there is a change in previous year's reporting method, previous year's comparative data be amended and presented in accordance with current year's reporting method. 284**

Recommendation 33: **To address the possibility of critical shortages of general practitioners in regional and rural Victoria, the Department of Human Services prepare a progress report and long-term plan which covers the recruitment of an adequate number of doctors to meet the health requirements of rural Victorians into the future. 287**

Recommendation 34: **After a sufficient lead time has elapsed, the Department of Human Services evaluate the effectiveness of the initiatives aimed at promoting the wellbeing of young people in rural Victoria in terms of access to dental, sexual health and mental health services. 290**

Recommendation 35: **The Department of Innovation, Industry and Regional Development, and Regional Development Victoria develop a clear, useful and concise means for reporting financial information associated with Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest. 291**

Recommendation 36: **For the purpose of analysing payroll information, the Department of Education and Early Childhood Development consider introducing a payroll system that enables historical data for individual payrolls to be retained and provides a breakdown of payroll details by location. 297**

Recommendation 37: **The Government prepare an evaluative study of the effectiveness of its current $400 million drought relief package. 298**

Recommendation 38: **Given that a key policy platform of the Government is to stimulate the economy and the role that small businesses play as a driver of the economy, the Department of Innovation, Industry and Regional Development develop a suite of performance measures that relate specifically to the effectiveness of small business programs in terms of the skilling of small business operators and the generation of jobs, exports, investment and innovation. 311**

Recommendation 39: **For the purpose of enhancing the concept of continuous improvement across agencies, the Department of Innovation, Industry and Regional Development examine whether there is scope for making its targets more challenging based on past performance. 311**

Recommendation 40:	**The Department of Innovation, Industry and Regional Development gather information covering the small business sector which stratifies the number of jobs created by firm size and per sector/industry in each year.**	**311**
Recommendation 41:	**In relation to the establishment of Technical Education Centres for senior secondary students, the Department of Innovation, Industry and Regional Development take action to enable capital works to be completed in accordance with planned milestones.**	**315**
Recommendation 42:	**To maximise student employment outcomes, the Department of Innovation, Industry and Regional Development explore avenues for increasing the employment of graduates from the vocational education and training system who were not employed before training.**	**315**
Recommendation 43:	**The Department of Human Services ensure that outpatient data covering waiting list numbers and times is maintained and disclosed in its report on Victoria's public hospitals. To provide a complete picture of outpatient encounter trends for all outpatient activity, this information include data on the whole system including specialist appointments in non-Victorian Ambulatory Classification System hospitals and allied health services.**	**330**
Recommendation 44:	**The Department of Human Services publish details relating to hospital initiated postponements of elective surgery in all patient categories, including Category 1 urgent patients.**	**336**
Recommendation 45:	**Examples of best practice initiatives or strategies employed in reducing hospital initiated postponements of elective surgery be applied by those health services exhibiting significant increases in the number of postponements.**	**336**
Recommendation 46:	**In terms of keeping track of performance against deliverable targets for funding that has been provided over the forward estimates period, the Government disclose, on a progressive basis, how it has performed in terms providing 1,500 Division 2 nursing and 420 allied health training places for the $5.8 million provided over the four year period to 2010-11.**	**337**

Recommendation 47: **To minimise any risks to patients due to untimely procurement processes, the Department of Human Services strive to ensure that medical equipment of a specialised nature is acquired in line with expected timelines. Forward order contracts could incorporate commercial terms for risks, penalties and incentives for timely delivery and commissioning. 339**

Recommendation 48: **In the event of delays occurring in the procurement process resulting in medical equipment not being acquired when planned, the Department of Human Services evaluate the risk of such equipment not being supplied on time in terms of patient health outcomes and develop contingency plans to address such risks. 339**

Recommendation 49: **With a view to addressing allied health workforce shortages, the Department of Human Services develop a human resource recruitment strategy aimed at filling vacancies in community health centres. 340**

Recommendation 50: **In order for the Department of Education and Early Childhood Development to assess whether the extent of incidents or complaints about children's services in a given year is excessive, thereby calling for policy shifts to occur or procedures to be amended, the Department monitor performance against appropriate benchmarks in this area. 353**

Recommendation 51: **The Department of Education and Early Childhood Development publish a consolidated report card that discloses the impact that its strategies, aimed at encouraging healthy eating and physical activity among Victorian school students, have had on reducing the extent of young people (in Years 6 and 8) who are overweight or obese. 359**

Recommendation 52: **The Department of Education and Early Childhood Development publish a report that discloses the impact that initiatives have had on addressing depression among Years 6 and 8 students. 364**

Recommendation 53: **The Department of Education and Early Childhood Development ensure that future reporting of the target to reduce energy consumption per square metre by 20 per cent of 1999-2000 consumption by 30 June 2010, allows for meaningful comparison with the 1999-2000 data, notwithstanding the machinery of government changes which have impacted the Department since this time. 380**

Recommendation 54:	**All departments prepare regular, detailed progress reports for major infrastructure initiatives. Progress reports should, wherever possible, include information about performance in relation to major milestones and targets.**	**384**
Recommendation 55:	**The Department of Sustainability and Environment provide detailed, comprehensive information on the development and implementation of each of the four Regional Sustainable Water Strategies, including timelines for completion and major implementation milestones.**	**386**
Recommendation 56:	**The Department of Sustainability and Environment co-ordinate the various water management agencies in Victoria to develop a targeted program of ecological risk assessments for the States 'at risk' waterways.**	**389**
Recommendation 57:	**The Department of Sustainability and Environment, in conjunction with the Department of Education and Early Childhood Development, take steps to encourage greater participation by private schools in the Schools Water Efficiency program.**	**392**
Recommendation 58:	**Victoria Police further develop and enhance the performance measures in future planning and strategic documentation to include demographic comparators and qualitative information.**	**397**
Recommendation 59:	**Victoria Police provide more detailed information, in its annual report, on priority issues and programs in line with the comprehensive responses provided in response to Committee questions.**	**400**
Recommendation 60:	**Victoria Police and the Department of Justice consider using, on a systematic basis, targets and reporting based on the number of crimes per 100,000 population.**	**402**
Recommendation 61:	**Budget paper performance output measures identify separate targets for the crimes making up the category of crimes against the person.**	**402**
Recommendation 62:	**The Department of Justice review the effectiveness of drug control programs for offenders serving community-based orders.**	**410**

Recommendation 63: **The Department of Planning and Community Development review its grant reporting practices and implement enhanced reporting that will provide the public with greater detail, transparency and accountability for its community development work. 425**

Recommendation 64: **The Department of Education and Early Childhood Development improve its survey process to provide more robust and reliable data for annual reporting purposes with regards to the delivery of early childhood intervention services. 430**

Recommendation 65: **The Department of Premier and Cabinet disclose in its annual report, outcomes associated with the Community Cabinet program in terms of informing decision-making and influencing policy formulation. 434**

Recommendation 66: **The Department of Premier and Cabinet consider including a new performance measure and target in the budget papers relating to the numbers of meetings to be held as part of the visits conducted by the Department of Premier and Cabinet under the Community Cabinet program. 434**

Recommendation 67: **To enhance accountability, health services disclose as part of their activity performance reporting regime, information relating to targets, where applicable, and prior year figures. 436**

Recommendation 68: **Hospitals and the Department of Human Services examine whether processes need to be refined for hospitals that did not achieve a breakeven financial outcome for 2007-08. 438**

Recommendation 69: **The Department of Treasury and Finance require agencies to disclose details relating to internal audit activity in their annual reports, together with the status of action taken by agencies pertaining to the implementation of internal audit recommendations. 442**

Recommendation 70: **All government agencies identify and report against the full range of performance indicators adopted to monitor Occupational Health and Safety matters as per the requirements of FRD 22B. The Department of Justice Annual Report 2007-08 Appendix G provides an excellent example of the type of clear and detailed response to this requirement the Committee expects to see. 454**

Recommendation 71:	**All departments and government agencies identify and report individually on each consultancy arrangement greater than $100,000 as per the requirements of FRD 22B. The Department of Human Services Annual Report 2007-08 page 170 provides an excellent example of the type of clear and detailed response to this requirement the Committee expects to see.**	**455**
Recommendation 72:	**All government agencies annually review their reporting responsibilities in relation to the Financial Management Act 1994, the Standing Directions and Financial Reporting Directions of the Minister for Finance, and put in place controls to ensure that all relevant requirements are addressed fully. The Victorian Auditor-General's Office Annual Report 2007-08, page 41-44, provides an excellent example for all smaller government organisations on how to present workforce data.**	**455**
Recommendation 73:	**Government departments and agencies integrate output performance data and details of performance outcomes within Report of Operations chapters based on high level goals and objectives or Growing Victoria Together visions in their 2008-09 annual reports. The Department of Education and Early Childhood Development Annual Report 2007-08 provides an excellent example of this approach.**	**456**
Recommendation 74:	**The Minister for Finance further develop the Financial Reporting Directions to enhance the quality and consistency of performance reporting in annual reports including: (a) a requirement to report detailed performance outcomes linked to corporate objectives and performance measures, and Growing Victoria Together; (b) the inclusion of three years of historical performance data in all reporting (where available); and (c) guidelines for the incorporation of useful and acceptable graphic indicators of performance.**	**457**
Recommendation 75:	**All departments and agencies table their annual reports within three months of the end of the financial year.**	**459**
Recommendation 76:	**The Victorian Auditor-General's Office develop a performance indicator to measure whether better practice guides produced by the Office have been of use to those parties that have chosen to access these documents for guidance.**	**473**

Recommendation 77: **The Victorian Auditor-General's Office disclose information in its annual report relating to the success or otherwise of the Office electing to prepare better practice guides. 473**

Recommendation 78: **The Victorian Auditor-General's Office develop and publish a performance measure and target associated with the response rate achieved in terms of the annual survey of Parliamentarians. 475**

Recommendation 79: **An action plan for broader and more active liaison by the Auditor-General with all Parliamentarians be made transparent to ensure it is representative of Parliamentary interests. 475**

Recommendation 80: **Given the nature of performance auditing, the Victorian Auditor-General's Office initiate discussion with the other audit jurisdictions that participate in the national benchmarking exercise on whether the stretch target for satisfaction with performance audits that has been set at 80 remains relevant or should be reduced. 477**

Recommendation 81: **Good practice ideas implemented by those offices that benchmark very well in terms of client feedback on performance audits be investigated by the Victorian Auditor-General's Office. 477**

Recommendation 82: **As a further action to improve client feedback scores on performance audits, the Victorian Auditor-General's Office consider whether there is scope for strengthening avenues for communicating with clients and obtaining feedback on matters relating to process, reporting and providing value from the performance audit function. 477**

Recommendation 83: **Given the very wide coverage of financial audits undertaken by the Victorian Auditor-General's Office throughout the public sector, the quality of analysis of client feedback on financial audits and reports would be enhanced if client survey results are categorised in future according to the materiality of agencies audited and the level of risk. 481**

Recommendation 84: **The Victorian Auditor-General's Office publicly disclose a commentary on the level of client satisfaction in relation to audits performed by audit service providers compared to in-house staff. 481**

Recommendation 85: **Within the next 18 months, the Victorian Auditor's Office provide to the Public Accounts and Estimates Committee an assessment of whether the strategies under its Strategic People and Culture Management Framework have been effective in combating high staff turnover in the Office. 482**

Recommendation 86: **The Victorian Auditor-General's Office investigate the factors that have led to the completion of some performance audits significantly below budget. The identification of good practices derived from such an analysis be used to update the processes contained in the Office's performance audit methodology. 485**

Recommendation 87: **The Victorian Auditor-General's Office brief the Public Accounts and Estimates Committee on the measures that enabled it to achieve a significant reduction in the average elapsed time for performance audits from 12.6 months in 2006-07 to 7.2 months in 2007-08. 487**

Recommendation 88: **The Victorian Auditor-General's Office set a performance target for 100 per cent of financial audits to be completed within three months of the end of the financial year. 487**

SECTION A: OVERVIEW

CHAPTER 1: INTRODUCTION AND RESPONSES TO THE REPORT ON THE 2006-07 FINANCIAL AND PERFORMANCE OUTCOMES

1.1 Background

In 2007-08, the Victorian Government raised $43.6 billion and spent $42.1 billion on service delivery for Victorians.[1] Net infrastructure spending in the general government sector in 2007-08 totalled $3.9 billion.[2] Through this Inquiry on the 2007-08 Financial and Performance Outcomes, the Committee aims to further inform Parliament and the people of Victoria on key aspects of Government's accountability for funds appropriated and expended.

This Inquiry complements and completes the accountability cycle, which follows the Committee's Inquiry into the 2008-09 Budget Estimates, which reviewed the new initiatives, programs and services to be delivered in 2008-09. This report includes analysis of key aspects of what departments and agencies intended to achieve in 2007-08 compared with what was actually achieved, together with recommendations designed to improve accountability and enhance financial and resource management.

1.2 Objectives of the Inquiry

The overall objective of the Committee's *Inquiry into the 2007-08 Financial and Performance Outcomes* is to review the Government's financial and performance outcomes for the previous financial year.

The Inquiry focuses on financial and service outcomes across the whole government sector and examines outputs delivered and outcomes achieved by departments and other government agencies. This year's report:

- examines whether information was provided to Parliament and the public in a meaningful, comprehensive and timely manner;
- undertakes a comparative analysis across departments and other government agencies on a range of key issues, including:
  - the public sector infrastructure and asset investment program;
  - regional and rural outcomes;
  - efficiencies;
  - revenue and revenue foregone;
  - environmental outcomes; and
  - performance against targets.
- ensures that there is sufficient articulation of performance against performance indicators encompassing equity, efficiency and effectiveness measures.

The issues examined this year compared to the previous year includes three new areas: risk management, procurement and grants. Issues examined last year and excluded this year could be examined in the 2008-09 inquiry.

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1 Department of Treasury and Finance, *2007-08 Annual Financial Report for the State of Victoria*, p.57

2 ibid., p.30

This process complements the Committee's ex-ante responsibilities of reviewing the budget estimates by bringing to the forefront of the Parliament and the community's attention, analytical comment designed to enhance performance and accountability and provide a catalyst for change for the public good.

By reviewing the Government's financial and performance outcomes for the previous financial year, the Committee's outcomes report completes the yearly cycle of ongoing accountability.

1.3 Scope of the Inquiry

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

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

- the quarterly financial reports;
- the annual financial report;
- annual reports of departments and key government agencies, the Department of Parliamentary Services and the Victorian Auditor-General's Office;
- departmental responses to the Committee's 2007-08 outcomes questionnaires;
- the Government's budget papers for 2007-08; and
- reports of the Victorian Auditor-General and other authoritative organisations.

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

1.3.1 Coverage of departments and other Government agencies

During its *Inquiry into the 2006-07 Financial and Performance Outcomes*, the Committee extended the range of agencies whose outcomes were subjected to specific analysis and reporting. This approach was adopted to facilitate a more comprehensive analysis of outcomes across general government, public non-financial corporations and public financial corporations. This approach has used a selective sample and been further developed for the *Report on the 2007-08 Financial and Performance Outcomes* (see section 1.4).

This modified approach allowed the inclusion of a further six new agencies whose outcomes have been specifically examined by the Public Accounts and Estimates Committee for the first time in an outcomes report (detailed in Table 1.1).

Table 1.1: Departments and related agencies covered in the review

Department/Agency	Questionnaire Part One	Questionnaire Part Two	Review of Annual Reports
Department of Education and Early Childhood Development	**Yes**	**Yes**	**Yes**
Department of Human Services	**Yes**	**Yes**	**Yes**
Austin and Repatriation Medical Centre	Yes	-	-
Bayside Health / Alfred Health	Yes	-	-
Eastern Health	Yes	-	-
Melbourne Health	Yes	Yes	-
Western Health	Yes	-	-
Southern Health	Yes	-	-
Royal Children's Hospital	Yes	-	-
Barwon Health	Yes	-	-
Department of Innovation, Industry and Regional Development	**Yes**	**Yes**	**Yes**
Victorian Learning and Employment Skills Commission	Yes	-	-
Regional Development Victoria (a)	-	Yes	-
Department of Justice	**Yes**	**Yes**	**Yes**
Metropolitan Fire and Emergency Services Board	Yes	-	-
Victorian Commission for Gambling Regulation	Yes	-	-
Victoria Police	Yes	Yes	-
Department of Planning and Community Development	**Yes**	**Yes**	**Yes**
Victorian Urban Development Authority	Yes	-	-
Department of Premier and Cabinet	**Yes**	**Yes**	**Yes**
National Gallery of Victoria	Yes	-	-
Department of Primary Industries	**Yes**	**Yes**	**Yes**
Victorian Energies Network Corporation (VenCorp)	Yes	-	-
Department of Sustainability and Environment	**Yes**	**Yes**	**Yes**
Barwon Region Water Authority	Yes	-	-
Goulburn Murray Rural Water Authority	Yes	-	-
Melbourne Water Corporation	Yes	-	-
Parks Victoria	Yes	-	-
Environmental Protection Agency (a)	-	Yes	-
Metropolitan Waste Management Group (a)	-	Yes	-
Department of Transport	**Yes**	**Yes**	**Yes**
Port of Melbourne Corporation	Yes	-	Yes
Vic Roads	Yes	-	Yes
Vic Track	Yes	Yes	Yes
Southern Cross Station Authority	Yes	-	Yes
V/Line (a)	-	-	Yes
Transport Ticketing Authority (a)	-	-	Yes

Table 1.1: Departments and related agencies covered in the review

Department/Agency	Questionnaire Part One	Questionnaire Part Two	Review of Annual Reports
Southern and Eastern Integrated Transport Authority (a)	-	-	Yes
Department of Treasury and Finance	**Yes**	**Yes**	**Yes**
Rural Finance Corporation	Yes	-	-
Transport Accident Commission	Yes	-	-
Treasury Corporation of Victoria	Yes	Yes	-
City West Water Limited	Yes	-	-
South East Water Limited	Yes	-	-
Yarra Valley Water Limited	Yes	-	-
Victorian Managed Insurance Authority	Yes	Yes	-
Victorian WorkCover Authority	Yes	-	-
Victorian Funds Management Corporation	Yes	-	-
Department of Parliamentary Services	**Yes**	**Yes**	**-**
Victorian Auditor-General's Office	**-**	**-**	**-**

Notes: *(a) new agencies whose outcomes have been specifically examined by the Public Accounts and Estimates Committee for the first time in an outcomes report*

Source: *Public Accounts and Estimates Committee*

1.3.2 Analysis of annual reports

The scope of the inquiry covered an extensive analysis of annual reports of not only departments but also a selection of Transport related government agencies as detailed in Table 1.1 (refer to chapter 19 for detailed findings emanating from this analysis).

1.4 The review process

The Committee continued the two-part Questionnaire process established during the *Inquiry on the 2006-07 Financial and Performance Outcomes*. The questionnaires covered selected issues, predominantly across budget funded agencies, that are deemed by the Committee in the public interest.

The Part One Questionnaire covering financial and performance outcomes consisted of generic questions applicable to all departments, the Department of Parliamentary Services and 32 related agencies. It included questions on public sector workforce, taxation, procurement, efficiencies, grants, financial sustainability, output cost variations and program outcomes. This questionnaire was issued to the departments and agencies identified in Table 1.1 in October 2008.

Following a review of Annual Reports relating to departments and agencies that were tabled around 31 October 2008, together with the examination of other relevant information, the Committee issued supplementary questionnaires to the 10 departments, The Department of Parliamentary Services and eight selected agencies identified in Table 1.1. This Part Two Questionnaire more specifically related to the achievement of the Government's *Growing Victoria Together* outcomes and focused on the achievement of deliverables by individual departments and agencies. The Part Two Questionnaire was distributed in early December 2008.

A separate questionnaire was distributed to the Victorian Auditor-General's Office in October 2008.

Matters are reported as part of across-the-board themes or individually under policy visions articulated by the Government in its *Growing Victoria Together* 10 year vision. This approach is also followed by the Auditor-General in his annual plan.

For the Report on the 2007-08 Financial and Performance Outcomes, where possible, information from 2005-06 and 2006-07 is used for comparative purposes when assessing achievements in 2007-08. For example, information in tables may include data from all three years for comparative purposes, in addition to any financial or statistical information provided in the narrative or in graphical form.

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

With this concept in mind, the Committee's *Inquiry into the 2007-08 Financial and Performance Outcomes* does not propose to examine impacts at a micro-level, but intends to provide information at a macro-level that will be useful to program administrators at a policy and operational level for the purposes of:

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

1.5 Government response to the Committee's *Report on the 2006-07 Financial and Performance Outcomes*

The Committee made 88 recommendations in its Report on the 2006-07 Financial and Performance Outcomes. Nine recommendations related specifically to the operations of the Victorian Auditor-General's Office.

Section 36 of the Parliamentary Committees Act 2003 requires responsible Ministers to respond, within six months, to recommendations in the Committee's reports tabled in the Parliament. The Government Response to the Public Accounts and Estimate Committee's *Report on the 2006-07 Financial Performance Outcomes* was tabled in the Parliament on 11 November 2008. The Auditor-General provided a separate response to the nine recommendations that related to his Office on 8 August 2008.

1.5.1 Auditor-General's Response

The Auditor-General agreed with eight of the nine recommendations made by the Committee concerning his Office and indicated that appropriate actions would be taken to address these issues.

In the remaining recommendation, the Committee recommended that quantified impacts emanating in full or in part from the work of the Victorian Auditor-General's Office (VAGO) be measured and discussed in the Office's annual report. The Auditor-General indicated that attempts by other audit institutions to establish such measures have proved difficult and that this matter is currently under review by VAGO.

The Committee is of the belief that while difficult to establish, quantifiable measures of the impact of the Auditor-General's reports are critical to his ongoing accountability to Parliament and encourages the Auditor-General to expedite the development of such measures.

Recommendation 1: **The Auditor-General expedite the development of quantifiable measures of the impacts of his reports and recommendations on audited departments and agencies.**

1.5.2 Government's Response

The Government's response to the *Report on the 2006-07 Financial and Performance Outcomes* covered the 79 recommendations that were not directed at the Victorian Auditor-General's Office. Four recommendations included multiple parts. The Government's response treated these multiple parts as individual recommendations, bringing the total number of recommendation responses to 90. Table 1.2 provides a comparative analysis of the Government's response to the 2004-05 and the 2006-07 Outcomes reports. The 2006-07 report covered a review of two years of Outcomes achievements, 2005-06 and 2006-07.

Table 1.2: Government's response to recommendations in the 2004-05 and the 2006-07 Financial and Performance Outcomes Reports

Response		2004-05 Recommendation Responses (a)		2006-07 Recommendation Responses (b)	
		(number)	(per cent)	(number)	(per cent)
Accept	Wholly	23	25	29	32
	In Part	13	14	15	17
	In Principle	38	41	17	19
Under Review		9	10	13	14
Rejected		9	10	16	18
Total		**87**	**100**	**90**	**100**

Sources: *(a) Public Accounts and Estimates Committee, Report on the 2006-07 Financial and Performance Outcomes, May 2008, p.30*

(b) Victorian Government, Response to the Public Accounts and Estimates Committee's Report on the 2006-07 Financial and Performance Outcomes, tabled in Parliament on 11 November 2008.

A chapter by chapter breakdown of responses is set out in Table 1.3, while the Government's response can be downloaded in full from www.parliament.vic.gov.au/paec/

Table 1.3: Summary of the Government's response to recommendations in the 2006-07 Financial and Performance Outcomes Report

Chapter	Accept			Under Review	Reject	Total
	Wholly	In Part	In Principle			
Introduction	-	-	-	-	-	0
Overview of the State's 2006-07 Financial Outcomes	-	3	2	1	-	6
National Reform Agenda	-	-	1	1	-	2
Productivity Improvement	-	-	-	3	1	4
Regulation Reduction	3	2	-	-	3	8
Departmental Savings	-	-	-	-	4	4
Revenue and Revenue Foregone	-	2	-	1	-	3
Public Sector Asset Investment Program	-	-	3	-	-	3
Trust Fund Accounts	-	3	-	-	-	3
Drought Relief	2	1	-	1	1	5
Performance Bonuses	1	-	2	1	-	4
Employment Within the Public Sector	-	-	-	-	3	3
Report Card by Departments on Portfolio Achievements	-	-	-	-	-	0
Performance Targets	9	-	1	-	-	10
Environmental Outcomes	2	1	-	-	-	3
Regional and Rural Outcomes	-	1	2	-	-	3
Advertising and Promotion	-	1	-	-	-	1
Thriving Economy	1	-	2	-	-	3
Quality Health and Education	4	1	-	-	1	6
Healthy Environment	1	-	-	-	-	1
Caring Communities	-	-	-	-	-	0
Vibrant Democracy	1	-	-	1	1	3
Review of Annual Reports	4	-	4	2	2	12
Victorian Auditor-General's Office	1	-	-	2	-	3
Total Number of Recommendations	**29**	**15**	**17**	**13**	**16**	**90**
Percentage of Total Recommendations (%)	**32**	**17**	**19**	**14**	**18**	**100**

Source: *Government Response to the Public Accounts and Estimates Committee Report on the 2006-07 Financial and Performance Outcomes.*

The Committee noted that the proportion of recommendations that were accepted fell from 80 per cent in the 2004-05 response to 68 per cent in the 2006-07 response. However, analysis of the individual responses identified two particular factors which had a major impact on these figures.

Six out of the 13 (14 per cent of total) recommendations that the Government deemed 'under review' fell under the auspices of the Department of Treasury and Finance's ongoing review of Victoria's public finance practices and legislation[3]. Further detailed consideration of these issues can be found in the Committee's preliminary report *New Directions in Accountability*.[4]

Nine out of the sixteen (10 per cent of total) recommendations rejected by the Government related to the current departmental reporting framework.[5] In relation to these nine recommendations, the Government Response indicated that:[6]

> *The financial management and accountability framework for Victorian government departments focuses on the delivery of outputs and outcomes rather than the management of inputs.*

However, the Committee believes that there is sufficient scope within the terms of Section 4.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and *FRD 22B - Standard Disclosures in the Report of Operations* to allow for the recommendation of the inclusion of additional reporting requirements, such as those identified by the Committee, within an agency's report of operation. The Committee considers all matters identified in its reports to be of significance to the Victorian Parliament and encourages the Government to give further consideration to these particular recommendations.

Recommendation 2: **The Government revisits the rejected recommendations from the *Report on the 2006-07 Financial and Performance Outcomes* when preparing its response to the *Report on the 2007-08 Financial and Performance Outcomes*.**

1.6 Cost of Inquiry

The cost of this inquiry was approximately $151,048

3 Recommendation Numbers: 9, 19, 68, 70, 76, 85.
4 Public Accounts and Estimates Committee, *New Directions in Accountability*, November 2008.
5 Recommendation Numbers 4, 18a-d, 33, 38, 39, 57.
6 Victorian Government, Government Response to the Public Accounts and Estimates Committee Report on the 2006-07 Financial and Performance Outcomes, November 2009, p.25, recommendation 33.

CHAPTER 2: OVERVIEW OF THE STATE'S 2007-08 FINANCIAL AND PERFORMANCE OUTCOMES

Key Findings of the Committee:

2.1 **The consolidated operating surplus (net result from transactions) of the State for 2007-08 was $1.4 billion, $235.5 million (19.3 per cent) higher than the result for 2006-07. The Government has indicated that this result was largely influenced by outcomes in the general Government sector.**

2.2 **After taking into account actuarial losses of $3.4 billion on defined benefit superannuation plans and $1.4 billion on financial instruments held by Government authorities measured at fair value, the State's consolidated net result for 2007-08 was a deficit of $3.1 billion compared with a surplus of $7.7 billion in 2006-07.**

2.3 **The Auditor-General has informed Parliament that the consolidated 2007-08 net result demonstrates the State's exposure to financial markets and economic conditions outside of its control.**

2.4 **Net assets of the State increased by $5.3 billion (6.2 per cent) in 2007-08 to $91.6 billion, compared to $86.3 billion in 2006-07. The growth in net assets was largely due to increases in capital stock in the general Government and public non-financial corporations sectors, partly offset by the actuarial losses noted in 2.2.**

2.5 **The 2007-08 operating result in the general Government sector was a surplus of $1.5 billion, substantially in excess of the Government's minimum target of $100 million. The operating surplus was also $486 million (48.8 per cent) higher than the estimate revised in May 2008 and $1.2 billion (357 per cent) higher than the initial estimate disclosed in the 2007-08 budget papers.**

2.6 **Based on May 2008 revised estimates, the higher operating surplus in the general Government sector was attributable to increased revenue, from sources other than taxation, offset by slightly higher operating expenses.**

2.7 **The Committee shares the view expressed by the Auditor-General that the extraordinary global economic downturn poses a major risk to the sustainability of the State's income and expense policy settings. It considers the circumstances require robust monitoring by the Government of its operating performance against revised budget outcomes and full reporting to Parliament of any significant variations to key estimates and related financial management policy.**

2.8 **Net infrastructure spending in the general Government sector in 2007-08 amounted to a record $3.9 billion, $645 million higher than in 2006-07 although $229 million lower than the May 2008 estimate for 2007-08 of $4.2 billion.**

2.9 **Net general Government sector debt increased by $145 million in 2007-08 and brought total net debt at 30 June 2008 to $2.2 billion (0.8 per cent) of GSP compared with a revised estimated position of $2.3 billion (0.9 per cent) of GSP. The smaller than estimated increase in net debt reflects the cost of infrastructure investment in 2007-08 modestly exceeding the net cash flow available to the Government from operating activities.**

2.10 **Net debt of the non-financial public sector, which combines the general Government and the public non-financial corporation sectors, at 30 June 2008 totalled $3.9 billion (1.5 per cent of GSP) compared with a revised estimated position of $5.7 billion (2.2 per cent of GSP). The annual financial report identifies that the difference of $1.8 billion between the estimated and actual position at 30 June 2008 is predominately associated with the public non-financial corporations sector.**

2.11 **The Committee intends to cover in its reports on 2009-10 budget estimates and 2008-09 outcomes the impact of major post-June 2008 developments in financial markets and global economic conditions.**

2.1 Introduction

The Treasurer tabled the government's 2007-08 annual financial report in Parliament on 14 October 2008. The report culminates the extensive financial and budget reporting process established by the government under the *Financial Management Act* 1994 for each financial year. This process involves reporting quarterly, at mid-year and at year-end.

The tabled year-end report documents the 2007-08 financial results and position for the State of Victoria which, as a whole of government reporting entity, has three sectors, namely:

- the general government sector (212 entities comprising government departments and other budget-funded agencies which are largely responsible for the delivery of government policy as set out in the annual State Budget);
- the public non-financial corporations sector (92 entities such as water, rail and port authorities that provide goods and services of a non-financial nature to the public while meeting commercial principles through cost recovery via user charges and fees); and
- the public financial corporations sector (7 entities, including the Transport Accident Commission, the Treasury Corporation of Victoria, the Victorian Funds Management Corporation and the Victorian WorkCover Authority), that provide financial services in accordance with financial principles.

The 2007-08 annual financial report includes commentary by the government on particular financial and economic outcomes compared with expected results revised in May 2008. The report also includes the State's consolidated financial statements for the year, as audited by the Auditor-General. A confirming opinion on the financial statements was issued by the Auditor-General on 24 September 2008.

In addition to providing an audit opinion on the annual financial statements, the Auditor-General has a legislative responsibility to report to the Parliament on the results of an audit of the annual financial report. The Auditor-General's report for 2007-08 was presented to Parliament on 13 November 2008.

The Auditor-General views the annual financial report as … *a key part of the accountability of the government to Parliament for the management and stewardship of the State's finances* .[7]

[7] Victorian Auditor-General, *Auditor-General's Report on the Annual Financial Report of the State of Victoria*, 2007-08, November 2008, p.1

2.2 Summary of government's consolidated financial result for 2007-08

Table 2.1 compares the audited consolidated operating statement for 2007-08 and 2006-07 for the State of Victoria as presented in the annual financial report. It shows two measures for the period, a *'net result from transactions'* which equates to an operating result, before arriving at a *'net result'* after recognising income and expenses derived from other economic flows.

As shown in Table 2.1, the 2007-08 *net result from transactions* for the State is a surplus of $1.4 billion, $235.5 million (19.3 per cent) higher than the result for 2006-07. The government has indicated in its annual financial report that the 2007-08 result was strongly influenced by the outcomes of the general government sector[8] which are discussed in later paragraphs.

Table 2.1 also shows that, after taking into account other economic flows, the consolidated 2007-08 *net result* was a net deficit of $3.1 billion, a decrease of $10.8 billion when compared with the net (surplus) result of $7.7 billion in 2006-7. The government has reported that the net deficit of $3.1 billion was largely driven by actuarial losses of $3.4 billion (gains of $3.4 billion in 2006-07) associated with the State's defined benefit superannuation plans and losses of $1.4 billion (gains of $3.2 billion in 2006-07) incurred on financial instruments held by government entities measured at fair value.[9]

The government regards these other economic flows as outside of its direct control. It considers the exclusion of these items from the net result from transactions provides a more robust representation of Victoria's financial performance. Accordingly, it is of the view that the net result from transactions is a more appropriate measure of its financial management and gives a clearer representation of the State's underlying position.[10]

The Committee agrees that the underlying reasons for losses associated with superannuation and financial instruments are outside of the government's direct control. It notes however that how financial instruments are managed on a day to day basis, especially with deteriorating external conditions, can be directly linked to management performance.

The Auditor-General informed Parliament that the significant deficit in the consolidated 2007-08 net result clearly demonstrates the State's exposure to financial markets and economic conditions outside its control. The Auditor-General also commented on the risk to longer-term financial sustainability and how this needs to be monitored closely to ensure that current income and expenditure policy settings remain sustainable.[11] The Committee concurs with the views expressed by the Auditor-General which have assumed greater significance because of acute deterioration in financial markets and global economic conditions subsequent to the issue of the Auditor-General's report. The Committee's preliminary consideration of the potential impact of these unique circumstances on Victoria's budget settings forms part of its overview of the 2007-08 operating surplus for the general government sector presented in later paragraphs of this chapter.

8 Department of Treasury and Finance, *Financial Report for the State of Victoria 2007-08*, October 2008, p.4
9 ibid., pp.44-45 and 57
10 ibid., p.44
11 Victorian Auditor-General, Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2007-08, October 2008, p.25

Table 2.1: Consolidated operating statement for the year ended 30 June 2008

	State of Victoria			General government sector		
	2008 ($ million)	**2007 ($ million)**	**Variation (%)**	**2008 ($ million)**	**2007 ($ million)**	**Variation (%)**
Income from transactions						
Taxation (a)	12,697.5	11,554.9	9.9	12,862.9	11,701.8	9.9
Fines and regulatory fees	871.9	789.2	10.4	854.3	765.2	1.2
Dividends and income tax equivalent and rate equivalent revenue (a)	576.1	680.7	-15.3	759.9	1,422.3	-46.6
Interest	1,292.6	1,100.5	17.4	451.6	422.7	6.8
Grants (a)	17,108.5	15,493.2	10.4	17,210.1	15,600.9	10.3
Sale of goods and services	9,122.2	8,703.6	4.8	3,081.4	2,863.3	7.6
Fair value of assets received free of charge or for nominal consideration	361.7	200.7	80.2	76.7	21.8	251.8
Other income (a)	1,524.7	1,459.1	4.5	2,043.4	2,087.6	-2.1
Total income from transactions	**43,555.1**	**39,982.0**	**8.9**	**37,340.3**	**34,885.7**	**7.0**
Expenses from transactions						
Employee benefits	13,926.9	12,985.8	7.2	13,033.8	12,187.2	6.9
Superannuation	1,738.6	1,706.0	1.9	1,648.0	1,642.9	0.3
Depreciation and amortisation	2,353.7	2,217.2	6.2	1,416.2	1,334.7	6.1
Finance costs	1,151.7	1,059.7	8.7	460.0	479.2	-4.0
Grants and transfer payments	4,516.0	4,449.9	1.5	6,515.0	6,706.0	-2.8
Supplies and services	18,178.6	16,134.2	12.7	12,561.5	11,001.3	14.2
Other expenses	237.2	212.4	11.7	224.2	200.0	10.8
Total expenses from transactions	**42,102.8**	**38,765.2**	**8.6**	**35,858.6**	**33,551.2**	**6.9**

Table 2.1: Consolidated operating statement for the year ended 30 June 2008

	State of Victoria			General government sector		
	2008 ($ million)	**2007 ($ million)**	**Variation (%)**	**2008 ($ million)**	**2007 ($ million)**	**Variation (%)**
Net result from transactions	**1,452.3**	**1,216.8**	**19.3**	**1,481.7**	**1,334.5**	**10.9**
Income/(expenses) from other economic flows						
Net gain/(loss) from disposal of physical assets	11.1	(51.8)	121.4	16.0	(29.8)	153.7
Actuarial gains/(losses) of superannuation defined benefit plans	(3,398.0)	3,434.1	(198.8)	(3,378.1)	3,428.1	(198.5)
Share of net profits/(losses) of associates and joint venture entities	7.1	35.6	(80.0)	10.6	5.2	103.8
Net gain/(loss) on financial instruments at fair value	(1,452.0)	3,228.9	(145.0)	(34.8)	21.7	(260.4)
Other gains/(losses) from other economic flows	272.9	(195.4)	239.7	29.1	546.7	(94.7)
Total other economic flows	**(4,558.9)**	**6,451.4**	**(170.7)**	**(3,357.2)**	**3,972.0**	**(185.0)**
Net result	**(3,106.6)**	**7,668.2**	**(140.5)**	**(1,875.5)**	**5,306.5**	**(135.3)**

Note: (a) The consolidated position of the State of Victoria for these revenue items is less than the reported revenue for the general government sector due to inter-sector eliminations, which are identified on pages 86-7 of the government's annual financial report for 2007-08.

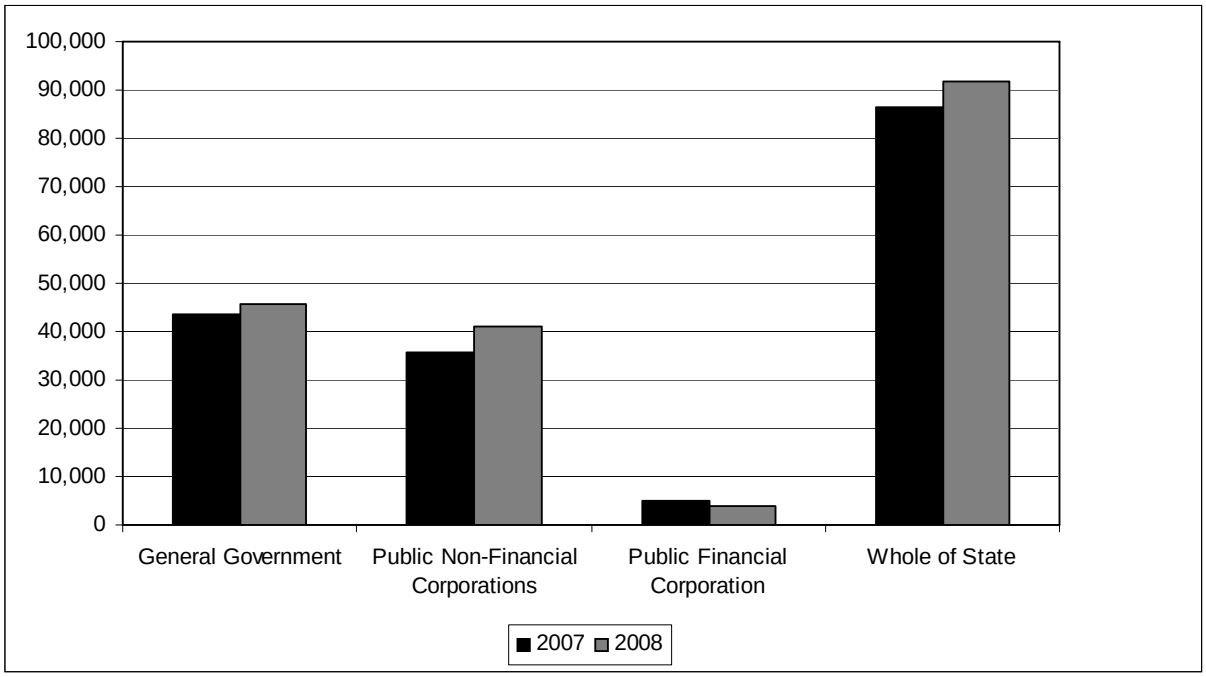
Sources: Department of Treasury and Finance, Financial Report for the State of Victoria 2007-08, October 2008, p.57; percentage variations computed by the PAEC

2.3 Summary of government's consolidated financial position at 30 June 2008

The government's annual financial report for 2007-08 identifies that net assets of the State increased by $5.3 billion (6.2 per cent) in 2007-08 to $91.6 billion, compared to $86.3 billion in 2006-07.[12]

Figure 2.2 shows the variation in net assets by sector from 30 June 2007 to 2008 with the growth in net assets largely occurring in the general government and public non-financial corporations sectors.

Figure 2.2: Movement in net assets by sector at 30 June



Source: Department of Treasury and Finance, Financial Report for the State of Victoria 2007-08, p.46

The government's report shows that the increase in net assets in the general government sector in 2007-08 was mainly due to an increase of $5.8 billion in capital stock, partly offset by an increase of $3 billion in the superannuation liability. The latter movement reflected the impact of recent financial market volatility on the sector.[13]

The report also identifies that the principal driver of the increase in net assets in the public non-financial corporations sector was an increase of $5.2 billion in its capital stock incorporating an increase of $2.1 billion for the Director of Housing largely associated with revaluation of land and buildings, and an increase of $1.4 billion in the water sector as a result of higher capital expenditure.[14]

12 Department of Treasury and Finance, *Financial Report for the State of Victoria 2007-08*, October 2008, p.46
13 ibid., p.28
14 ibid., p.39

2.4 Operating result for 2007-08 in the general government sector

The general government sector is largely responsible for the delivery of government policy as set out in the annual State Budget. The sector accounts for most of the activities driving each year's operating result (net result from transactions) which are directly influenced by the policy decisions of the government.[15]

For 2007-08, the government's operating surplus in the general government sector was a surplus of $1.5 billion, substantially above its longstanding minimum operating surplus target of $100 million. As mentioned in the Committee's report on the 2008-09 budget estimates, the government adopted a new target of maintaining a budget surplus of at least 1 per cent of operating revenue with effect from and inclusive of 2008-09.[16] As mentioned in a later paragraph, the government has recently indicated it will revert to its earlier surplus target of $100 million.

The 2007-08 operating result exceeded the revised estimate published in May 2008 in the 2008-09 budget papers of $996 million by $486 million (48.8 per cent) and the initial estimate disclosed in the 2007-08 budget papers of $324.3 million by $1.2 billion (357 per cent).

As explained in the Committee's report on the 2006-07 financial and performance outcomes, the achievement of significant operating surpluses well in excess of expected initial and revised budget outcomes has been a recurring feature of the government's financial management in the general government sector.[17] Over the years, these surpluses have been an important source of funding for the government's infrastructure program. These circumstances were clearly reflected in comments made by the Treasurer at the time of the tabling of the 2007-08 annual financial report on 14 October 2008. The Treasurer stated that the key results in 2007-08 included record infrastructure spending of $3.9 billion, $645 million more than the previous year and that *'From 1999-2000 to 2007-08 the Government invested over $21 billion in infrastructure.'* The Treasurer further stated that *'Victoria's economic fundamentals remain strong….'*[18]

It can be seen that any emerging threats from weakening financial markets and global economic conditions to Victoria's continued capacity to generate significant budget surpluses and to its resultant overall financial sustainability were not evident from the 2007-08 operating result in the general government sector presented to Parliament by the Treasurer in October 2008.

In its reports on Victoria's budget estimates for 2007-08 and 2008-09, the Committee has commented on the government's management of contingencies within its budgetary framework and on the relevance of contingency management for future budgets.[19] When advocating a more robust approach by the government to the reporting of contingencies and of their role in the budgetary process, the Committee identified that adequate allowance for contingencies in budget estimates is a fundamental component of sound risk management in order to guard against unforeseen occurrences or changes in global or local economic conditions. The Committee calculated that output contingencies built into budgetary estimates over the forward estimates period to 2011-12, as presented in the 2008-09 Budget, amounted to a minimum of $8.6 billion and asset contingencies totalled around $3.6 billion. Given their magnitude, these provisions are likely to prove invaluable to the government as it strives to minimise the threats emerging from the external economic environment to continuing implementation of its policy of prudent financial management of Victoria's public resources.

This report focuses on the government's financial and performance outcomes in 2007-08. The recent extraordinary global economic circumstances, with immense world-wide ramifications, which have prevailed for much of 2008 and are continuing to prevail, are of great concern to the Committee.

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15 ibid., pp.20 and 44

16 Public Accounts and Estimates Committee, Report on the 2008-09 Budget Estimates – Part Three, October 2008, p.27

17 ibid., p.44

18 Mr J Lenders, Treasurer, media release, *Strong Surplus a Boost for Infrastructure*, 14 October 2008

19 Public Accounts and Estimates Committee, Report on the 2007-08 Budget estimates – Part Three, September 2007, pp.30-4 and Report on the 2008-09 Budget Estimates – Part Three, October 2008, pp.33-5

The Committee will need to address the government's budgetary strategies in minimising the consequences to Victoria of deteriorating economic conditions in its reports dealing with the 2009-10 Budget Estimates and the 2008-09 financial and performance outcomes. In the meantime, the Committee reiterates the view expressed to Parliament by the Auditor-General, when commenting on the Annual Financial Report for 2007-08, that the global economic downturn poses a major risk to the sustainability of the State's income and expenditure policy settings. The Committee stresses the need for robust ongoing monitoring by the government of its operating performance against budget outcomes. Such monitoring should be accompanied by full reporting through the government's periodic reporting framework of any significant changes to key parameters and any resultant policy action arising from such changes.

2.4.1 Analysis of the 2007-08 operating surplus in the general government sector

As mentioned in an earlier paragraph, the 2007-08 operating surplus of $1.5 billion in the general government sector exceeded the revised estimate published in May 2008 in the 2008-09 budget papers of $996 million by $486 million (48.8 per cent). Table 2.3 shows the variation between the revised estimate and final position for the main revenue and expense items as presented in the government's 2007-08 annual financial report.

Table 2.3: Dissection of 2007-08 operating surplus for general government sector, compared to May 2008 estimates

Operating item	Column 1	Column 2	Column 1-2	Column 1-2
	2007-08 Actual ($ million)	2007-08 Revised Estimate ($ million)	Variation ($ million)	Variation (%)
Revenue				
Taxation	12,862.9	12,997.4	-134.5	-1.0
Dividends, Income tax and rate equivalent revenue	759.9	679.8	80.1	11.8
Grants	17,210.1	17,180.7	29.4	0.2
Sale of goods and services and other income	6,507.5	5,930.3	577.2	9.7
Total revenue	37,340.3	36,788.1	552.2	1.5
Expenses				
Employee benefits	13,033.8	13,025.9	7.9	0.1
Superannuation	1,648.0	1,613.0	35.0	2.2
Supplies and services and other expenses	21,176.9	21,153.2	23.7	0.1
Total expenses	35,858.6	35,792.1	66.5	0.2
Operating surplus	1,481.7	996.0	485.7	48.8

Source: Department of Treasury and Finance, Financial Report for the State of Victoria, 2007-08, October 2008, p.21

It can be seen from Table 2.3 that the higher than expected surplus for 2007-08, based on May 2008 estimates, was attributable to increased revenue, from sources other than taxation, of a net $552 million, offset by slightly higher operating expenses in all three major expense categories of $66.5 million.

The government's annual financial report for 2007-08 includes commentary on the factors contributing to the above variations. Aspects of this commentary are presented in the following paragraphs.[20]

[20] Department of Treasury and Finance, *Financial Report for the State of Victoria, 2007-08*, October 2008, pp.21-7

Reasons for variations between May 2008 revised estimates and actual operating revenue

Taxation

Unlike the previous year, when the difference between the latest estimated and actual taxation revenue was an increase of $230.3 million (2 per cent), taxation revenue in 2007-08 was $135 million (1 per cent) less than the May 2008 revised estimate. The government has identified that this increase was principally attributable to:

- reduced revenue from land transfer duty of $169 million reflecting lower than expected revenue per transaction consistent with reported declines in property prices; offset by
- higher revenue from some gambling taxes and duty on motor vehicle registrations and transfers.

Income tax equivalent receipts

Higher than estimated income tax equivalents totalling $79 million were received from the Transport Accident Commission and the Victorian WorkCover Authority, the major reason for the additional revenue received since the May 2008 revised estimate. However, on a full year to year basis, total revenue from this source in 2007-08 was $662.4 million (46.6 per cent) lower than receipts in 2006-07.

The government has indicated that, in times of financial market volatility, it is extremely difficult to estimate the level of income tax equivalents of public financial corporations with large investment portfolios.

Grants

The overall increase in grants income of $29.4 million arose from:

- higher than estimated specific purpose Commonwealth grants of $165 million in the health, sustainability and environment, and primary industries sectors; partially offset by
- reduced general purpose grant revenue of $136 million, mainly comprising GST revenue, due to a decline in the GST pool as national consumption slowed in the latter half of 2007-08.

Sale of goods and services and other income

Expressed in dollar terms, increased revenue under this category constituted by far the major portion of revenue received in 2007-08 in excess of the May 2008 estimate.

The government has identified that the additional revenue of $577.2 million comprised sale of goods and services of $249.2 million, interest of $78.7 million and other income, including fines and regulatory fees, also of $249.2 million. The reasons reported by the government for these increases included:

- sale of goods and services – increased third party revenue from several sources including a number of health services, school services such as those for international students, and VicRoads construction activity, as well as higher contributions from the Transport Accident Commission, Victorian WorkCover Authority and the Commonwealth for hospital and ambulance services relating to compensable patients, and additional public transport ticket revenue due to a 12.7 per cent increase in patronage in 2007-08;
- interest – increased cash balances held by agencies arising from increased income; and
- other income – several causal factors including higher regulatory fee income, increased research grants and clinical trial income from the private sector, additional Court Fines revenue mainly flowing from the last State election and greater than expected sponsorship and membership of Arts agencies. The government stated these increases were partially offset by lower revenue from traffic camera fines due mainly to increased public awareness of cameras and higher downtime from increased maintenance requirements and delays transitioning to the new traffic camera services contract.

Reasons for variations between May 2008 revised estimates and actual operating expenses

The government reported that operating expenses covering employee benefits, superannuation and supplies and services and other expenses in 2007-08 in the general government sector were consistent with the May 2008 revised estimates. As shown in Table 2.3, the overall variation between the latest expense estimates and actual figures for 2007-08 was just 0.2 per cent. On a year to year comparative basis, employee benefits in 2007-08 were $846.6 million (6.9 per cent) higher than in 2006-07 and supplies and services and other expenses was $1.5 billion (7.5 per cent) higher in 2007-08.

The government's report describes the nature of the three expense categories and identifies that the highest movement between actual and May 2008 estimates was in the 'other expenses' category which totalled $224 million, 36 per cent greater than the revised budget of $165 million. The main reason for this difference was the recognition of bad debts resulting from fine related enforcement activities. The government indicated outstanding debts will continue to be vigorously pursued through all legal means and prudent accounting requires that recognition be made for such debts.

2.5 Infrastructure investments in 2007-08 in the general government sector

When announcing the 2007-08 operating results, the Treasurer stated:

> *Our strong surplus allows investment in tomorrow's infrastructure in areas like education, health and community safety and also helps us address the new challenges in transport, our changing climate and meeting the demands of our growing population.*

The government's annual financial report for 2007-08 states that net infrastructure investment spending in the general government sector in the year was a record $3.9 billion. This level of spending was $645.4 million higher than the previous year but was $229 million lower than the May 2008 revised estimate for 2007-08 of $4.2 billion.[21]

[21] ibid., p.30 and Department of Treasury and Finance, *Financial Report for the State of Victoria 2006-07*, October 2007, p.25

Table 2.4 compares the actual and revised estimates of infrastructure spending figures for 2007-08 and the related funding sources.

Table 2.4: Funding of government's 2007-08 infrastructure program – general government sector

Expense and funding items	**2007-08 Actual ($ million)**	**2007-08 May Estimate ($ million)**
Net result from transactions	1,481.7	996.0
Add back: non-cash revenues and expenses (net) (a)	2,395.8	2,925.7
Net cash flow from operating activities	3,877.5	3,921.7
Less:		
Net investment in fixed assets		
Expenditure on approved projects (b)	4,104.0	4,368.1
Proceeds from asset sales	-177.0	-212.1
Net investment in fixed assets	3,926.9	4,156.0
Finance leases	253.3	-
Other investment activities (net)	-157.7	22.4
Increase in net debt	145.0	256.7

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

(b) includes purchase of property, plant and equipment plus contributions to other sectors for capital purposes

Source: *Department of Treasury and Finance, Financial Report for the State of Victoria 2007-08, October 2008, p.30*

The government's report also states that the increase in net debt of $145 million in 2007-08 brought total net debt at 30 June 2008 to $2.2 billion (0.8 per cent) of GSP compared with an estimated net debt position of $2.3 billion (0.9 per cent) of GSP.[22] As indicated in the report, the smaller than estimated increase in net debt reflects the fact that the cost of infrastructure investment in 2007-08 modestly exceeded the net cash flow from operating activities.

Net debt of the non-financial public sector, which combines the general government and the public non-financial corporation sectors, at 30 June 2008 totalled $3.9 billion (1.5 per cent of GSP) compared with a revised estimated position of $5.7 billion (2.2 per cent of GSP).[23] The annual financial report identifies that the difference of $1.8 billion between the estimated and actual position at 30 June 2008 is predominately associated with the public non-financial corporation sector. An analysis of the items making up the definition of net debt shows that a contributing factor to the reduction was an increase of $1.1 billion in the sector's asset item, *Investments, loans and placements*.[24] The report identifies that the presentation of information relating to the non-financial public sector is consistent with the Uniform Presentation Framework adopted by all Australian jurisdictions.

22 ibid., p.33 and Budget Paper No.2, *2008-09 Strategy and Outlook*, p.56

23 Department of Treasury and Finance, *Financial Report for the State of Victoria 2007-08*, October 2008, pp.47, 206-207 and *Budget Paper No.2, 2008-09 Strategy and Outlook*, p.70

24 Department of Treasury and Finance, *Financial Report for the State of Victoria 2007-08*, p.207

The annual financial report provides a dissection across spending departments, of the government's net investment in fixed assets of $3.9 billion in 2007-08, compared with the most recent projection for the year of $4.2 billion.[25] The report describes some of the key areas of infrastructure spending in 2007-08 including:

- major transport projects such as instalment payments for the procurement of new regional and metropolitan rolling stock and expenditure associated with large road projects;
- a range of health, aged care and community services; and
- education outlays on construction of new schools and specialist educational facilities, modernisation of existing schools and land acquisition for future education facilities.

The report also outlines the main factors contributing to lower than estimated asset spending in the Department of Education and Early Childhood Development, where expenditure was $489.3 million, $131.2 million (21 per cent) lower than the latest estimate, and the Department of Innovation, Industry and Regional Development (DIIRD), where expenditure was $71.4 million, $148.3 million (68 per cent) lower than the most recent estimate.[26] The factors identified as underpinning the lower capital expenditure were:[27]

- in the education sector, lower than budgeted expenditure on school replacement, ICT and modernisation projects as well as lower than budgeted Commonwealth receipts for the *Investing in Our Schools program*; and
- for DIIRD, lower than planned expenditure on the TAFE capital program.

When commenting in its May 2008 *Report on the 2006-07 Financial and Performance Outcomes* on the government's expanding infrastructure program and associated increases in projected levels of net debt, the Committee drew attention to the importance of sound fiscal risk management, should an unexpected and prolonged downturn occur in financial markets and the State's economic condition.[28]

The Committee intends to cover the impact of the major post-June 2008 developments in financial markets and global economic conditions on Victoria's 2008-09 infrastructure outcomes in the general government sector in its future reports on the 2009-10 budget estimates and the 2008-09 financial and performance outcomes.

25 ibid., p.30
26 ibid.
27 ibid., p.31
28 Public Accounts and Estimates Committee, *Report on the 2006-07 Financial and Performance Outcomes*, May 2008, p.50

SECTION B: FINANCIAL OUTCOMES

CHAPTER 3: REVENUE AND REVENUE FOREGONE

Key Findings of the Committee:

3.1 **In relation to the General Government Sector, which comprises departments and other budget-funded agencies, income from transactions increased from $34.9 billion in 2006-07 to $37.3 billion in 2007-08, a rise of $2.4 billion (6.9 per cent).**

3.2 **Total revenue for the State of Victoria, which also includes the Public Financial Corporations and Public Non-Financial Corporations Sectors, rose from $40.0 billion in 2006-07 to $43.6 billion, an increase of $3.6 billion (9.0 per cent).**

3.3 **Major movements in income from transactions raised by the General Government Sector between 2006-07 and 2007-08 consisted of increased revenue to the State derived from grants ($1.6 billion or 10.3 per cent) and taxation ($1.2 billion or 9.9 per cent), with a reduction in dividends, income tax and rate equivalent revenue of $662 million (46.6 per cent).**

3.4 **Major variations in specific revenue items between 2006-07 and 2007-08 in the General Government Sector were as follows:**

- **land tax reduced by $123.7 million (-12.5 per cent) due to the reduction in tax rates and an increase in the tax free threshold;**
- **land transfer duty increased by $744.2 million (25.1 per cent) due to increases in the volume of transactions and the average value per transaction stemming from the growth in property prices;**
- **dividends decreased by $194.3 million (-35.1 per cent)**
  Lower dividends were primarily due to strong financial results by the Transport Accident Commission and the Victorian WorkCover Authority for the year ended 30 June 2007 and the effect of poorer performance of financial markets in 2007-08; and
- **income tax and rate equivalent revenue reduced by $468.1 million (-53.9 per cent), reflecting the strong investment market performance in 2006-07 that led to higher income tax instalments in that year.**

3.5 **The increase in grants from the Commonwealth of $1.6 billion (10.3 per cent) was due mainly to higher consumption and an increase in prices flowing into higher GST revenue.**

3.6 **The Government cautioned in November 2007 that despite the improved economic outlook since the budget was handed down in May of that year and the projection of larger surpluses, projections were sensitive to various challenges that needed to be managed over the forward estimates period. In particular, the Government pointed out that inflationary and wage pressures, financial market volatility and the more uncertain outlook for the global economy required close monitoring and foreshadowed that these factors may have material adverse effects on the State's financial position.**

3.7 **Bearing in mind that changes in the economic landscape could have an adverse impact on forecasts, the Government announced in November 2007 that to manage this risk, it would exercise prudent financial management to ensure that any market downturn could be absorbed without impacting on the Government's commitments to the State. Maintaining a strong budget surplus outlook over the forward estimates period would, in the opinion of the Government, provide an important buffer to the State's budget in the event that these issues were to materialise. In such circumstances, the Committee acknowledges that maintaining or even improving the State's revenue position would be crucial.**

3.8 **Given the global financial crisis and the downward trend in certain revenue streams, the Committee believes that the 2009-10 budget papers should include an extensive analysis of the impacts on revenue, including an in-depth sensitivity analysis.**

3.9 **When commenting on revenue variations concerning outcomes for the General Government Sector in its end of year Financial Report for the State of Victoria, a more useful analysis would involve a comparison of actual revenue results with, not only the latest estimate during a financial year, but also the outcome for the previous financial year.**

3.10 **Against an initial estimate of $11.6 billion in taxation revenue to be received in 2007-08, actual taxation revenue for the year amounted to $12.9 billion, an increase of 10.9 per cent. This result exceeded the target set for the Department of Treasury and Finance's output measure *'Accuracy of estimating State taxation revenue'* for equal to or less than 5.0 per cent accuracy in 2007-08.**

3.11 **The estimated tax expenditures that could be costed (including thresholds) for 2007-08 totalled $4.1 billion compared to the prior year estimate of $4.3 billion, a reduction of $0.2 billion or 4.6 per cent. The largest components of these estimated tax expenditures comprised Land Tax Exemptions (estimated at $1.3 billion) and Payroll Tax Exemptions (estimated at $2.4 billion).**

3.12 **Budget estimates of concessions for 2007-08 stood at $1.2 billion compared to the estimate for 2006-07 of $1.1 billion. With an estimate of $456 million for 2007-08, health comprised the largest category of concessions**

3.13 **With regard to the granting of concessions and subsidies in 2007-08, the larger items of revenue foregone noted by the Committee included:**

- **Department of Human Services:**

Ambulance Community Service Obligations	**$280.6 million; and**
Public Transport	**$105.8 million;**

- **Department of Transport:**

Public Transport	**$189.3 million; and**

- **VicRoads:**

Net revenue foregone from collections on behalf of the Victorian Government totalled $60 million and on behalf of the Transport Accident Commission totalled $100.7 million.

3.1 Introduction

Chapter 2 (*Overview of the State's 2007-08 financial outcomes*) of this report provides an overview of the State's financial outcomes in 2007-08. As part of this overview, summary information is provided on the revenue transactions for the General Government Sector, including reasons for movements in particular revenue items against the revised estimates for 2007-08, as presented in the Government's 2007-08 Annual Financial Report. Comparison between actual revenue raised for 2007-08 to the prior year is also made for various selected revenue items.

Chapter 3, which is devoted solely to Revenue and Revenue Foregone, provides a high level analysis of revenue for 2007-08 for the General Government Sector and the wider State of Victoria compared to the prior year. The Committee's review of revenue foregone in terms of tax expenditures and concessions and subsidies is also included in this chapter.

Selective comments are made by the Committee in this chapter, given the wide coverage of material already made available to the Parliament through publications released by the Department of Treasury and Finance in the form of budget papers and the financial reports, annual reports of agencies and Auditor-General's reports.

3.2 Revenue

3.2.1 Revenue summary

A summary of revenue derived by the General Government Sector and the State of Victoria is presented in Table 3.1. Broadly speaking, it shows that in aggregate terms:

- for the General Government Sector, which comprises departments and other budget funded agencies, income from transactions increased from $34.9 billion in 2006-07 to $37.3 billion in 2007-08, a rise of $2.4 billion (6.9 per cent); and
- total revenue on a whole of State basis for the State of Victoria, which also includes the Public Financial Corporations and Public Non-Financial Corporations Sectors, rose from $40.0 billion in 2006-07 to $43.6 billion, an increase of $3.6 billion (9.0 per cent).

For the purpose of illumination when referring to certain revenue items contained in Table 3.1, a description of the main components of various key items is set out below:[29]

- **Taxation:** Payroll tax (31.1 per cent of taxation estimates), taxes on property that include land transfer duty and land tax (33.1 per cent), gambling taxes that include taxes imposed on electronic gaming machines (13.2 per cent), taxes on insurance (9.8 per cent) and motor vehicle taxes (11.5 per cent);
- **Dividends, income tax and rate equivalent revenue:** Amounts received by the State from government business enterprises; and
- **Grants:** include GST grants from the Commonwealth (56.5 per cent of total grants).

[29] Budget Paper No.4, *Statement of Finances, 2007-08*, pp.135 and 148

Table 3.1: Revenue summary for the General Government Sector and the State of Victoria Comparison of revenue for 2007-08 to the actual for 2006-07, and the initial budget and revised budget for 2007-08

Revenue item	General Government Sector [a]						State of Victoria [b]			
	Actual 2006-07 ($ million)	Estimate 2007-08 ($ million)	Revised Estimate 2007-08 ($ million)	Actual 2007-08 ($ million)	Variance [c] $ ($ million)	Variance [c] %	Actual 2006-07 ($ million)	Actual 2007-08 ($ million)	Variance ($ million)	Variance %
Taxation	11,701.8	11,589.0	12,997.4	12,862.9	1,161.1	9.9	11,554.9	12,697.5	1,142.6	9.9
Fines and regulatory fees	765.2	842.8	(d)	854.3	89.1	11.6	789.2	871.9	82.7	10.5
Dividends, income tax and rate equivalent revenue	1,422.3	905.4	679.8	759.9	-662.4	-46.6	680.7	576.1	-104.6	-15.4
Interest	422.7	301.9	372.9	451.6	28.9	6.8	1,100.5	1,292.6	192.1	17.5
Grants	15,600.9	16,158.7	17,180.7	17,210.1	1,609.2	10.3	15,493.2	17,108.5	1,615.3	10.4
Sale of goods and services	2,863.3	2,643.8	2,832.2	3,081.4	218.1	7.6	8,703.6	9,122.2	418.6	4.8
Fair value of assets received free of charge or for nominal consideration	21.8	(d)	(d)	76.7	54.9	251.8	200.7	361.7	161.0	80.2
Other income	2,087.6	1,827.6	2,725.2	2,043.4	-44.2	-2.1	1,459.1	1,524.7	65.6	4.5
Total	**34,885.7**	**34,269.2**	**36,788.1**	**37,340.3**	**2,454.6**	**7.0**	**39,982.0**	**43,555.1**	**3,573.1**	**8.9**

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

(b) *The State of Victoria comprises the General Government Sector, the Public Non-financial Corporations Sector which provides goods and services of a non-financial nature, along commercial lines, through the adoption of cost recovery procedures (includes the various water, rail and port authorities) and the Public Financial Corporations sector which provides financial services in accordance with commercial principles (includes the Transport Accident Commission, Victorian WorkCover Authority, Treasury Corporation of Victoria and the Victorian Funds Management Corporation).*

(c) *Change between 2007-08 Actual and 2006-07 Actual.*

(d) *Fines of $430.0 million and Fair value of assets received free of charge of $85.5 million are included in the 'Other income' category, while regulatory fees are included in the 'Sale of goods and services' category.*

Sources: *Budget Paper No.4, Statement of Finances, 2006-07, p.131, Budget Paper No.4, Statement of Finances, 2007-08, p.133, Budget Paper No.4, Statement of Finances, 2008-09, p.177, Department of Treasury and Finance, Financial Report, 2007-08, p.57*

3.2.2 Revenue - the Government's strategy and outlook for 2007-08

The Government, in its 2007-08 budget, foreshadowed that:[30]

- while Victoria continued to experience solid economic growth, in response to a rapidly changing economic landscape, it remained committed to ongoing economic reform;
- it would continue to meet its $100 million budget surplus target; a surplus of $324 million was budgeted in 2007-08, averaging $424 million over the forward estimates period (the buffer above the $100 million minimum operating surplus was to allow for unforeseen circumstances and provide budget flexibility);
- land tax would be further reformed and average WorkCover premiums would be reduced again in addition to a cut in motor vehicle duty;
- there would be an expected recovery in the rural sector and dwelling investment, and stronger export growth, which would see the national economy expand faster in 2007-08; and
- the main short, to medium, term risks to the Victorian economic projections stemmed from drought conditions, oil price volatility, wage and inflationary pressures, exchange rate movements and global developments.

In the Committee's examination of impacts on revenue generation for the State, the Committee observed that the Government also predicted in May 2007 that Victoria's Gross State Product (GSP) was expected to record stronger growth in 2007-08 (3.24 per cent) and 2008-09 (3.25 per cent) compared to the forecast for 2006-07 of 2.75 per cent, before settling at trend growth of around 3 per cent.[31] Although high levels of household debt and the lagged effect of interest rate rises may keep consumers relatively cautious, the Government reported continued support for spending from strong labour market outcomes and steady income growth.[32] In relation to housing activity, the Government revealed in May that conditions continued to support a recovery in 2007-08, as residential building activity appeared to be running below underlying demand requirements, particularly given strong population growth. Very low residential vacancy rates, which were pushing up housing rents, were also considered by the Government to be a factor likely to support a recovery in residential construction. Although growth moderated through 2006, business investment remained at very high levels and was expected to continue to contribute to the productive capacity of the economy.[33]

In terms of global developments, the Government reported in May 2007 that:[34]

> *The global economy continues to surprise on the upside, and growth is becoming more broadly based. Nonetheless, there are a number of downside risks to global growth. The main downside risk stems from the correction in the US housing market and the extent to which this weakness spills over into the rest of the US economy. Elsewhere, there is also some uncertainty regarding how the Chinese economy may respond to the government's intentions to slow and rebalance growth.*

The Committee noted that in terms of revenue risks, with regard to Commonwealth grants (estimated to be in the order of $16 billion in 2007-08 or 47 per cent of the estimated General Government Sector revenue), the level of specific purpose payments was determined by the policies of the Commonwealth Government, while the level of Goods and Services Tax (GST) grants was affected by the general level of activity in the Australian economy and the GST relativities as calculated by the Commonwealth Grants Commission.[35]

30 Budget Paper No.2, *Strategy and Outlook*, 2007-08, pp.1, 3, 19, 26
31 ibid., pp.16 and 19
32 ibid., p.19
33 ibid., pp.20-21
34 ibid., p.74
35 ibid., p.81

3.2.3 Revision to revenue expectations during 2007-08

As reported by the Government in November 2007 in its 2007-08 mid-cycle review of the annual State Budget, the economic outlook has improved since the May 2007 budget. Of particular significance was the finding that Victorian Gross State Product was forecast to grow by 3.75 per cent in 2007-08, faster than the 3.25 per cent expected at Budget time. This reflected a stronger outlook for consumption and business investment, while the previously anticipated recoveries in housing construction and farm output would be more gradual. The Committee also made note of the fact that the Victorian labour market was stronger, with above-trend employment growth and a low unemployment rate.[36] In terms of the prospect for a strong recovery in housing construction, given housing affordability concerns and higher interest rates, the strength and timing of the recovery remained uncertain. While some growth was expected in 2007-08, the bulk of the recovery was expected to occur in 2008-09.[37]

The wider Australian economic outlook at the time was seen as likely to impact on revenue collections for Victoria during 2007-08. As reported by the Victorian Government in November 2007, the outlook for national growth in 2007-08 was revised upwards by the Commonwealth Treasury from 3.75 per cent to 4.25 per cent, reflecting stronger forecasts for most sectors that included household consumption, business investment and the public sector. The outlook for the national labour market in 2007-08 was similarly stronger.[38]

The Government's 2007-08 mid-cycle review of the annual State Budget, which took into account all decisions of the Government up to 23 November 2007,[39] revealed that:[40]

- as a result of stronger economic and population growth, the Government revised State taxation revenue upwards by $990 million in 2007-08; and
- GST grants were estimated to increase by $124 million in 2007-08.

The Committee noted that the Government in November 2007 revised its estimate of the operating surplus for 2007-08 upwards to an estimated $842 million for the General Government Sector, $517 million greater than at the 2007-08 Budget.[41] This revision was largely due to increases in the above forecasts.[42]

The Government indicated that these revenue streams were being driven mainly by continued strong growth in employment, business investment and consumption; the latter as a result of strong growth in real after-tax incomes and household wealth.[43] The ongoing strength in real estate markets resulted in significant upward revisions to conveyancing duty and land tax revenues.[44]

With regard to the revision of taxation estimates upwards, the Committee noted that the Budget Update disclosed that:[45]

- income from taxes on financial and capital transactions, largely comprising stamp duty on land transfers, was revised upwards by $700 million in 2007-08, largely due to upward revisions to expectations of prices and activity in the property market;
- income from taxes on immovable property was revised upwards by $116 million in 2007-08, mainly due to an increase in land tax revenue; and
- payroll tax was revised upwards by $143 million in 2007-08 as a result of a stronger Victorian labour market (employment growth was revised upwards from 1.25 per cent to 2.5 per cent in 2007-08).

36 Victorian Government, *Budget Update*, 2007-08, p.17
37 ibid., p.20
38 ibid., p.18
39 ibid., p.10
40 ibid., p.2
41 ibid., p.3
42 ibid., p.10
43 ibid., p.3
44 ibid., p.10
45 ibid., p.26

In relation to GST grants, the revision of this item upwards arose from an increase in Victoria's share of the population and an increase in the GST pool. The larger GST pool reflected the strength in household consumption driven by strong growth in real after-tax incomes and household wealth.[46]

Conversely, investment income from dividends, income tax and rate equivalent revenue was revised downwards by $152 million in 2007-08 and upwards by an average of $44 million over the forward estimates period to reflect:[47]

- a change in the Government's approach to assessing dividends from the Transport Accident Commission to better reflect the entity's underlying insurance operations; and
- lower dividends from the water sector as a result of lower water consumption.

The Committee notes reservations by the Government concerning the financial situation of the State in its update of the State's 2007-08 Budget, particularly those that relate to implications associated with market downturns in the global economy.[48]

3.2.4 Revenue outcomes for 2007-08

As shown in Table 3.1, the Government received income from transactions enacted by departments and other budget funded agencies (the General Government Sector) totalling $37.3 billion in 2007-08, around 86 per cent of the State's total revenue for the year of $43.6 billion.[49] It is for this reason that the focus of the Committee's comments is directed at income derived for the Government from Victoria's General Government Sector.

The largest revenue items within the General Government Sector for 2007-08 were:

- Grants: $17.2 billion (46.1 per cent of total General Government Sector revenue); and
- Taxation: $12.9 billion (34.6 per cent of total General Government Sector revenue).

Major movements in income from transactions raised by the General Government Sector between 2006-07 and 2007-08 consisted of increased revenue to the State derived from grants ($1.6 billion or 10.3 per cent) and taxation ($1.2 billion or 10.3 per cent), with a reduction in dividends, income tax and rate equivalent revenue of $662.4 million (46.6 per cent).

Some of the main reasons for major fluctuations in revenue categories between 2006-07 and 2007-08 are briefly summarised in Table 3.2.

46 ibid., p.27
47 ibid., pp.26-27
48 ibid., pp.5, 10, 17-18
49 Department of Treasury and Finance, Financial Report for the State of Victoria, 2007-08, p.57

Table 3.2: General Government Sector Explanation for revenue movements 2006-07 compared to 2007-08

Revenue item	2006-07 Actual ($ million)	2007-08 Actual ($ million)	Variation ($ million)	Variation %	Explanation for variance
Taxation					
Land tax	989.1	865.4	-123.7	-12.5	Measures introduced in the 2007-08 Budget that included reducing the top and middle land tax rates and increasing the tax free threshold.[50]
Land transfer duty	2,961.4	3,705.6	744.2	25.1	Increases in the volume of transactions and the average value per transaction. The increase in volumes may in part be attributable to changes by the Commonwealth Government to superannuation laws which appear to have generated extra buying and selling of properties, with some of the revenue accruing in 2007-08. The increase in average value per transaction in 2007-08 is consistent with growth in property prices over the year.[51]
Dividends, income tax and rate equivalent revenue					
Dividends	554.3	360.0	-194.3	-35.1	Strong financial results by the Transport Accident Commission and the Victorian WorkCover Authority over the year ended 30 June 2007 compared to the performance of financial markets in 2007-08.[52]
Income tax and rate equivalent revenue	868.0	399.9	-468.1	-53.9	The strong investment market performance in 2006-07 resulted in higher income tax instalments in 2006-07.[53] Refer to further Committee comments on this issue.
Grants					
Total grants	15,600.9	17,210.1	1,609.2	10.3	Mainly higher GST revenue due to higher consumption and an increase in prices.[54]

Sources: Department of Treasury and Finance, Financial Report for the State of Victoria 2007-08, pp.90-91, and Budget Paper No.4 and Statement of Finances 2007-08 and 2008-09

50 ibid., p.22
51 Budget Paper No.4, Statement of Finances, 2008-09, p.184
52 Department of Treasury and Finance, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, Part One, p.23
53 Budget Paper No.4, *Statement of Finances*, 2007-08, p.146
54 Department of Treasury and Finance, Financial Report for the State of Victoria, 2007-08, p.24

The Committee noted that the decline in financial asset values in the Public Financial Corporations Sector during 2007-08 contributed to a reduction in the income tax expense for related agencies (This sector includes agencies such as the Transport Accident Commission and Victorian WorkCover Authority).[55] As a consequence, revenue derived from the item 'Dividends, income tax and rate equivalent revenue' for that sector decreased by $91.7 million (13.9 per cent) from $658.2 million in 2006-07 to $566.5 million in 2007-08.[56]

The Victorian Funds Management Corporation reported that in terms of investment performance:[57]

> *Investment returns for 2007-08 were poor in absolute terms due to large falls in equity markets over the second half of the year. Markets struggled to cope with the unfolding credit crisis brought on by downgrades in the sub-prime housing market in the United States. Indeed, 2007-08 was the worst year in the investment industry since 1987. Financial stocks and highly levered sectors such as listed infrastructure and property trusts performed particularly poorly as the credit crisis affected all markets.*

A review of financial statements for the Transport Accident Commission for 2007-08, for example, revealed that investments declined from $7.7 billion at 30 June 2007 to $6.7 billion at 30 June 2008.[58]

The Committee believes that the impact of the deterioration of global economic conditions on the Victorian economy, with the consequential detrimental effect on the raising of State revenue at expected levels over the forward estimates period, warrants a detailed analysis by government in the 2009-10 budget papers.

The Committee looks forward to a full appraisal in the budget of where the key risks to revenue generation lie and what opportunities exist for revenue in future. It expects that the discussion of budget and financial parameters will be extensive, including in depth sensitivity analysis. Given the global financial crisis, the analysis should cover the public financial and non-financial sectors of the State as well as the General Government Sector.

Recommendation 3: **The Department of Treasury and Finance develop a revenue master plan that will promote the generation of revenue for the State at levels that will enable the Government to deliver on its budget commitments over the forward estimates period.**

3.2.5 Subsequent events reporting

The Committee observed that the subsequent events note to the State's Annual Financial Report and Financial Statements for Public Sector Organisations for 2007-08 did not specifically deal with the possible impact from the global economic circumstances.[59] Due to the importance of this global phenomenon, the Committee questioned the Department of Treasury and Finance about whether these external economic events had any material impact up until the time of reporting and, if so, to explain these effects on Victoria's finances.

55 ibid., pp.40-41
56 Department ibid., p.40
57 Victorian Funds Management Corporation, *Annual Report*, 2007-08, p.4
58 Transport Accident Commission, *Annual Report 2008,* p.67
59 In terms of the disclosure of 'subsequent events' in the notes to financial statements, disclosure is required to be made about events between the balance date and the date the statements are authorised for issue where the events relate to conditions which arose after the reporting date and which may have a material impact on the results of subsequent years.

The Committee was informed by the Department that: [60]

> *the consolidated 2007-08 Financial Report of the State of Victoria (AFR), including the results for the general government sector, for the financial year ended 30 June 2008 was authorised for issue by Officers of the Department on 23 September 2008.*
>
> *Similarly, major financial entities (Public Financial Corporations), which have a material impact on the financial assets and liabilities in the State's consolidated financial report, signed-off or authorised the issue of their 2007-08 annual reports as follows:*
>
> - *Treasury Corporation of Victoria* *14 August 2008*
> - *Victorian Managed Insurance Authority* *21 August 2008*
> - *Transport Accident Commission* *27 August 2008*
> - *Emergency Services and State Super* *28 August 2008*
> - *Victorian WorkCover Authority* *29 August 2008*
>
> *The impacts of any changes in financial markets up to 30 June 2008 were included in these annual reports as required by accounting standards. From 1 July 2008 to the time of signing the above 2007-08 financial reports, there were no identified changes in financial markets which would have had a material impact on those reports. By way of example, as at 30 September 2008, the ASX all ordinaries index had declined by less than 2 per cent since 30 June 2008, indicating only a minor impact on the operating result and movement in the value of domestic equity investments held by Victorian government entities during the period. Equity prices and market interest rates have been subject to volatility over a prolonged period and at the time of sign-off of the AFR, the full impacts of the global financial crisis had yet to become apparent.*
>
> *As required by the accounting standards, the financial reports provide extensive disclosures on financial instruments, including sensitivity analysis of the impact of changes in various market conditions. This disclosure also provides information on various risks to the State's financial performance and position. In the AFR, this detailed disclosure is included in Note 32 at pages 133 and 141, including the State's risk management policies, and quantification of the potential impact of changes in interest rates, equity prices, foreign currency, credit and liquidity conditions.*

The Committee is of the view that, prior to financial statements being made public, reporting entities and the Auditor-General will need to give careful consideration to the post balance day effect of any material events that may arise from the global financial crisis.

[60] Department of Treasury and Finance, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two, p.14

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

The Committee noted that the Government, when commenting on revenue variations concerning outcomes for the General Government Sector in its end of year Financial Report for the State of Victoria, predominantly uses the revised estimates derived in the latter part of the year as the base for comparisons with the end of year outcome rather than prior year revenue.

The Committee maintains that a more useful analysis of General Government Sector outcomes relating to financial performance would involve a comparison between the actual revenue raised in one year to the next, with a column for further comparative purposes on the latest available estimate during the financial year.

Recommendation 4: **As the Government's end of year Financial Report for the State of Victoria constitutes the Government's key accountability document for the management and stewardship of the State's finances, the Department of Treasury and Finance consider including a comparative analysis of actual revenue results for the General Government Sector compared to both the latest estimate during a financial year and the outcome for the previous financial year.**

3.2.7 Accuracy of revenue estimation

The Committee noted that in relation to the Department of Treasury and Finance's output measure *'Accuracy of estimating State taxation revenue'*, the target for equal to or less than 5.0 per cent accuracy was exceeded in 2007-08. Against an initial estimate of $11,589.0 million in taxation revenue to be received in 2007-08, actual taxation revenue for the year amounted to $12,862.9 million (see Table 3.1), an increase of 10.9 per cent.[61]

Given that the Department explained that this variance was due to a strong economy and higher than expected payroll tax, land tax and land transfer revenue,[62] the Committee was interested in determining whether the Department had implemented any strategies and risk management processes to improve the accuracy of revenue estimation practices in future, particularly in view of the detrimental impact that the global financial crisis and other economic variables may have on Victoria's revenue base.

Information supplied by the Department indicated that it has implemented improvements to its quality assurance processes and continues to review and update its forecasting procedures to improve forecast accuracy. In view of the global economic and financial crisis, the monitoring of both taxation revenue and the economic variables, and related information that influence it, has been intensified. This includes more regular assessments of risks to the taxation revenue forecasts.[63]

61 Department of Treasury and Finance, *2007-08 Annual Report*, p.23

62 ibid., p.23

63 Department of Treasury and Finance, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two, p.3

3.3 Revenue foregone

3.3.1 Tax expenditures managed by the Department of Treasury and Finance

Tax expenditures are defined as tax concessions granted to certain taxpayers, activities or assets, which constitute a deviation from the normal taxation treatment. Tax concessions can take the form of tax free thresholds as well as exempting or applying a lower rate, deduction or rebate of a tax for a certain class of taxpayer, activity or asset.[64]

The 2007-08 Budget delivered the following tax relief measures for business:[65]

- **land tax** – cut the middle brackets of 1.2 per cent and 1.8 per cent to 0.8 per cent and 1.3 per cent respectively, and cut the top rate from 3.0 per cent to 2.5 per cent; and increased the tax-free threshold ($123.7 million benefit, 2007-08);
- **motor vehicle duty** – reduced the effective duty rate to 2.5 per cent on passenger vehicles valued between $35,000 and $57,009 ($39.7 million benefit, 2007-08);
- **payroll tax** – brought forward to 1 January 2007 the reduction in the payroll tax rate from 5.15 per cent to 5.05 per cent by 1 July 2007 ($26.0 million, 2006-07); and
- **land transfer duty** – reduced the marginal rate for properties valued between $115,000 and $400,000 from 6 per cent to 5 per cent on 1 January 2007 ($47.0 million, 2007-08).

The above initiatives were aimed at benefiting taxpayers by $210.4 million in 2007-08 (this figure does not include the $26 million payroll tax relief identified above which was attributed to the 2006-07 financial year). In terms of analysing outcomes, the Committee looked for, but did not find, consolidated information in the Government's financial reports to quantify the actual tax relief measures met by the Government in the form of tax concessions. Government financial reporting on this issue is confined to comparing the estimates for the budget year to the estimates for the prior year, the estimates over the forward estimates period in the budget papers and the revised estimates reported in budget updates.

A review of information contained in the budget papers showed that the estimated tax expenditures that could be costed (including thresholds) for 2007-08 totalled $4.1 billion compared to the prior year estimate of $4.3 billion, a reduction of $0.2 billion or 4.6 per cent. The largest components of these estimated tax expenditures comprised Land Tax Exemptions (estimated at $1.3 billion in total with the main categories within this item comprising $468 million for principal places of residences and $184 million in relation to land used for primary production) and Payroll Tax Exemptions (estimated at $2.4 billion with the main items relating to wages paid by public hospitals and by public benevolent institutions/charities of $214 million and $194 million respectively).[66]

64 Budget Paper No.4, *Statement of Finances*, 2007-08, p.159
65 Budget Paper No.2, *Strategy and Outlook*, 2007-08, pp.9 and 35
66 Budget Paper No.4, *Statement of Finances*, 2007-08, pp.162-163

The budget papers also indicate that concessions in 2007-08 had an estimated value of $1.2 billion (compared with an equivalent estimate in 2006-07 of $1.1 billion) and were categorised as follows in Table 3.3.

Table 3.3: Estimated concessions by category – 2006-07 and 2007-08

Concession category	**2006-07 Estimate ($ million)**	**2007-08 Estimate ($ million)**
Energy, municipal rates, water and sewerage	257	263
Education	180	196
Health	432	456
Hardship assistance	25	26
Transport	235	245
Total Estimate	**1,130**	**1,186**

Source: Budget Paper No.3, 2007-08 Statement of Finances, p.166

The Committee requested agencies to provide an itemised schedule of tax expenditures in the form of tax concessions actually granted in 2007-08 compared to the budget and actual tax relief granted in 2006-07, including the number of tax payers affected. Information provided to the Committee by the Department of Treasury and Finance is set out below in tables 3.4 and 3.5.

A schedule of tax expenditures in the form of tax concessions is presented in Table 3.4. In the absence of information detailing actual tax concessions granted in the year, this schedule compares the most current revised estimates for 2006-07 taken from the 2007-08 budget update (released in November 2007) to the 2007-08 budget released in May 2007.

Table 3.4: Tax expenditures (excluding thresholds) by type of tax

Description	2006-07 Estimate[a] ($ million)	2007-08 Budget[b] ($ million)	2007-08 Estimate[c] ($ million)	Comparison of 2007-08 Estimate[c] to 2006-07 Estimate ($ million)	Comparison of 2007-08 Estimate[c] to 2006-07 Estimate (per cent)	Comparison of 2007-08 Estimate[c] to 2007-08 Budget ($ million)	Comparison of 2007-08 Estimate[c] to 2007-08 Budget (per cent)
Land tax	1,444	1,285	1,198	-246	-17	-87	-7
Payroll tax	706	716	730	24	3	14	2
Gambling tax	73	71	76	3	4	5	7
Motor vehicle taxes	65 [d]	71	75	10 [f]	15 [g]	4	6
Other stamp duties [e]	134	197	152	18	13	-45	-23
Congestion levy	42	43	41	-1	-2	-2	-5

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

(b) From 2007-08 Budget: projection for following year made in 2006-07.

(c) Latest estimated outcome (2008-09 Budget update, page 151).

(d) The methodology for estimating motor vehicle tax concessions was revised in the 2008-09 Budget. Using the revised methodology, the estimated outcome for 2006-07 was $73 million.

(e) Principally stamp duty on land transfer.

(f) Based on the 2008-09 Budget revised methodology for estimating motor vehicle tax concessions, the difference is $2 million.

(g) Based on the 2008-09 Budget revised methodology for estimating motor vehicle tax concessions, the difference is 3 per cent.

Sources: *Department of Treasury and Finance, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part One, pp.19-20*

Table 3.5 presents the estimated number of taxpayers, businesses, clubs and vehicles affected by tax concessions in 2006-07 and 2007-08. The Department of Treasury and Finance advised that data not available would be provided to the Committee when it becomes available.

Table 3.5: Tax expenditures: number of taxpayers, businesses, clubs and vehicles affected

Description	2006-07 Estimate	2007-08 Estimate
Land tax (a)	n.y.a.	n.y.a.
Payroll tax (b)	1,832	1,901
Gambling tax (c)	272	269
Motor vehicle taxes (d)	806,141	808,710
Other stamp duties (e)	n.y.a.	n.y.a.
Congestion levy (e)	n.y.a.	n.y.a.

Notes: *n.y.a.Not yet available.*

(a) Data on the number of taxpayers affected by tax concessions on land tax is not expected to be available until early 2009; obtaining this data requires the employment of significant resources at the State Revenue Office.

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

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

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

(e) Data on the number of tax payers affected by tax concessions on other stamp duties and the congestion levy are expected to be available in January 2009.

Source: *Department of Treasury and Finance, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part One, p.20*

In terms of explaining variances of over 10 per cent in individual tax concession items between the actual tax concessions/subsidies granted in 2007-08 compared to budget and that of the previous year, the Department provided the following response to the Committee:[67]

- Land tax concessions were 17 per cent lower in 2007-08 compared to 2006-07. This decline was mainly due to policy changes which reduced land tax liabilities, taking effect in the 2008 land tax year (that is, the 2007-08 financial year). These policy changes included raising the tax-free threshold (the effect of which is not included in tables 3.4 and 3.5) and reducing marginal tax rates;
- Motor vehicle tax concessions were 15 per cent higher in 2007-08 compared to 2006-07. This largely reflects improvements in estimation methodology (see footnotes to Table 3.5);
- 'Other stamp duties' tax concessions were 13 per cent higher in 2007-08 compared to 2006-07. The *2006-07 Budget Update* announced a reduction in the land transfer duty rate for contracts entered into from 1 January 2007 with respect to principal places of residence. The introduction date fell half way through the 2006-07 financial year, and therefore had greater impact upon tax expenditures in 2007-08 than in 2006-07; and
- 'Other stamp duties' tax concessions were 23 per cent lower in 2007-08 compared to the estimate for 2007-08 in the 2007-08 Budget. This was primarily due to lower than expected tax concessions for corporate reconstructions (which are inherently difficult to predict).

[67] Department of Treasury and Finance, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, Part One, pp.20-21

The Committee is of the view that a useful addition to the content of the Government's financial reports would be the inclusion of details relating to actual tax relief provided compared to budget. For example, in relation to 2007-08, the Government could disclose how it actually performed in terms of providing the following tax relief initiatives announced in the 2007-08 budget:[68]

- Land Tax Cuts of $123.7 million;
- Motor vehicle duty cuts of $39.7 million; and
- Land Transfer Duty of $47.0 million.

Recommendation 5: **The Department of Treasury and Finance, as part of its financial strategy to provide full disclosure of financial information, report the quantum of actual tax relief provided during the year against the planned initiatives announced in the budget.**

3.3.2 Concessions and subsidies

Concessions can take the form of a direct budget outlay or a reduction in government charges in order to reduce the price of a good or service for particular groups. The granting of concessions to certain groups in the community (e.g. pensioners) enables these groups to access important amenities such as energy, health, transportation and education at a cheaper rate or at no cost.[69]

Information furnished in response to a request for an itemised schedule of concessions and subsidies provided by agencies in 2007-08 to be supplied to the Committee, including the number of concessions and subsidies in each category, is presented below in Table 3.6. This information also includes a variance analysis and comment on the achievement of anticipated outcomes from the granting of concessions and subsidies. This material presented by the Committee covers those agencies that have a key role in providing concessions and subsidies, namely the Department of Human Services, the Department of Transport including VicRoads, the Department of Treasury and Finance and the Department of Justice including Victoria Police.

Department of Human Services

Table 3.6 brings together information supplied by the Department of Human Services with regard to the number of concessions and subsidies provided in 2007-08 compared to 2006-07 according to concession type as well as the value of concessions granted.

68 Budget Paper No.2, *Strategy and Outlook*, 2007-08, p.35
69 Budget Paper No.4, *Statement of Finances*, 2007-08, p.165

Table 3.6: Department of Human Services Revenue concessions impacting on households 2007-08 compared to 2006-07

Concession Type	Column 1 2006-07 Number of concessions (households – unless otherwise stated)	Column 2 2007-08 Number of concessions (households – unless otherwise stated)	Column (2-1)/1 Variance[(a)] (%)	Column 3 2006-07 ($ million)	Column 4 2007-08 ($ million)	Column (4-3)/3 Variance[(a)] (%)
Municipal Rates	404,608	425,918	5.3	68.0	71.6	5.3
Water & Sewerage	631,836	642,345	1.7	82.7	83.1	0.5
Mains Electricity	734,085	739,734	0.8	54.8	59.9	9.3
Mains Gas	543,981	563,479	3.6	39.8	44.5	11.8
Non Mains Energy	21,000	19,534	-7.0	2.2	2.0	-9.1
Public Transport (*million concession ticket sales)	39*	38*	-3.6	101.1	105.8	4.6
Utility Relief Grant Scheme (*grants)	10,154*	9,139*	-10.0	3.3	2.8	-15.1
Capital Grant Scheme (*grants)	1,086*	2,729*	151.3	1.0	2.2	120.0
Water and Sewerage Hardship Relief Grant Scheme (*grants)	139*	73*	-47.5	0.6	0.4	-33.3
Carted Water Rebate	1,601	835	-47.8	0.3	0.1	-66.7
Ambulance Community Service Obligation (CSO)				258.9 [(b)]	280.6	8.4

Notes: *(a) Calculated by the Public Accounts and Estimates Committee.*

(b) The Department's response to the 2006-07 Financial & Performance Outcomes Questionnaire indicated concessional payments for Ambulance CSOs as $236 million and not $258.9 million as presented in this table. This discrepancy results from accounting adjustments administered for invoice reassignments after provision of the 2006-07 response. Invoice re-assignments occur, for example, when a patient is invoiced as a general patient, but upon receipt of the bill, provides pension/health care card details. The invoice is then reassigned as a CSO.

Source: *Department of Human Services, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire Part One, pp.43 and 44*

Variances of more than 10 per cent were attributable to the following factors as explained by the Department:[70]

- Mains Gas Concessions – 2007-08 expenditure increased by 11.8 per cent from 2006-07. The main reason for the growth in expenditure was the expansion of the natural gas network across the State.
- Utility Relief Grant Scheme – 2007-08 grants and expenditure decreased by 10 per cent and 15.1 per cent respectively. This is an entitlement program and driven by the number of applications received. All applications for assistance that meet program eligibility criteria are entitled to receive a Utility Relief Grant. There has been no change in eligibility criteria from 2006-07 to 2007-08.
- Capital Grant Scheme – 2007-08 grants and expenditure increased by 151.3 per cent and 120 per cent respectively. The main reason for the increase in the number of grants and expenditure was increased promotion and awareness of the scheme during 2007-08.
- Water and Sewerage Hardship Relief Grant Scheme – 2007-08 grants and expenditure decreased by 47.5 and 33.3 per cent respectively. The main reason for the decrease in grants and expenditure was a reduction in the number of homes required to connect to the mains sewerage network.
- Carted Water Rebate – 2007-08 grants and expenditure decreased by 7.8 per cent and 52 per cent respectively. This is an entitlement program and driven by the number of applications received.

On the subject of achieving planned outcomes, the Department informed the Committee that:

- concession programs aim to improve the affordability of energy, water and municipal rates for eligible consumers and concession card holders;
- departmental grant schemes aim to provide assistance to individuals or families who were experiencing immediate and personal distress due to a financial or domestic crisis; and
- the Victorian Government provides pensioners and health care card holders free ambulance and non-emergency patient transport services (where authorised as medically necessary) to the nearest appropriate medical facility. The transport of pensioner health care card holders is referred to as Community Service Obligation (CSO) transportation.

The Committee noted that the expected outcomes were achieved for the above programs.

Department of Transport

Table 3.7 sets out an itemised schedule of payments involved in the following concession and subsidy arrangements handled by the Department:[71]

- Public Transport Concessions
- Multi Purpose Taxi Program
- Freight Subsidy

[70] Department of Human Services, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, Part One, pp.44-45

[71] Department of Transport, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, Part One, p.29

Table 3.7: Department of Transport Concession and subsidy payment 2007-08 payments compared to the prior year and 2007-08 budget

Concession / Subsidy	2006-07 Actual ($ million)	2007-08 Budget ($ million)	2007-08 Actual ($ million)	Variance (b) (per cent)
Public Transport	198.5	n/a	189.3	-4.6
Multi Purpose Taxi Program	36.0	42.6	42.2	17.2
Rail Freight Support (a)	-	0.7	0.8	

Note: *(a) The Rail Freight Support Package commenced in 2007-08.*

(b) Comparison of 2007-08 actual to 2006-07 actual included by the Public Accounts and Estimates Committee

Source: *Department of Transport, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire Part One, p.29*

With regard to public transport concessions, the variance between the 2006-07 and 2007-08 actuals was due, in part, to the abolition of Zone 3 in March 2007, resulting in a reduced fare price for travel in the Zone 3 area. In relation to the Multi Purpose Taxi Program, the increase in subsidy payments in 2007-08 largely reflected the impact of the Australian Taxation Office's public ruling that input tax credit could not be claimed by the Department for the Multi Purpose Taxi Program. The Department ceased claiming input tax credits on 1 May 2007. In September 2007, the Department also repaid $1.7 million owing to claims made in 2006-07.[72]

VicRoads

VicRoads administers the collection of certain fees, licences and duties on behalf of the Government and the Transport Accident Commission.[73]

The Committee was advised by the Department that pensioner, health care and Department of Veteran's Affairs gold cardholders receive a 50 per cent concession on their motor registration fee. Pensioner concession cardholders also receive a 50 per cent discount on compulsory third party insurance.[74]

During 2007–08, the net revenue foregone from collections on behalf of the:[75]

- Victorian Government totalled $60 million compared with $58.3 million in the previous year; and
- Transport Accident Commission totalled $100.7 million compared with $95.8 million in the previous year.

With regard to outcomes, the Committee was informed by the Department that:[76]

- public transport concessions ensure that services remain affordable for lower income groups, including students, Health Care Card holders and pensioners;
- the Multi Purpose Taxi Program ensures that transport services provided by taxis are accessible for all members of the community with a disability or permanent illness;
- the Rail Freight Support Package provides a rebate on rail access fees to ensure that rail freight is a viable alternative to road freight; and
- VicRoads administers the concessions on behalf of the Victorian Government and the Transport Accident Commission with the expectation of providing these discounts as a service to the community.

72 ibid., p.30
73 ibid.
74 ibid.
75 ibid.
76 ibid., p.31

Department of Treasury and Finance

Table 3.8 provides a comparison of the number and value of various subsidies made by the Department of Treasury and Finance in 2007-08 and the previous year.

Table 3.8: Department of Treasury and Finance Number and value of subsidies 2007-08 compared to 2006-07

Subsidies	2007-08 Actual ($ million)	2007-08 No. of claims	2007-08 Revised budget ($ million)	2006-07 Actual ($ million)	2006-07 No. of claims	Variation (c) (per cent)
Liquor Subsidies (a)	3.1	254.0 (b)	3.5	3.0	261.0	3.3
Petroleum subsidies	2.7	5.0	-	37.9	61.0	-92.9
Duty Exemption – Pensioner and First Home Buyer	11.8	Not available	6.8	8.1	Not available	45.7

Notes: *(a) The Federal Government announced modifications to the Wine Equalisation Tax (WET) rebate effective from 1 October 2004. Under the new arrangements the Federal Government provided wine producers with a WET rebate of up to $290,000 each year. The Victorian Government will continue to pay a cellar door subsidy on eligible cellar door sales once the $290,000 Federal Government rebate has been exceeded.*

The thresholds for WET were increased and as a result a revised budget estimate was made. The previous budget was $6.7 million. Claims for last two years indicate that expenditure was lower than the estimated budget.

(b) The total number of claims contains a mix of current and prior period claims.

(c) Comparison of 2007-08 actual value of subsidies to prior year actual included by the Public Accounts and Estimates Committee.

Source: *Department of Treasury and Finance, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part One, p.21*

In terms of explaining variances of more than 10 per cent, the Department advised that with regard to petroleum subsidies, as part of the Government's 2007 State Budget, it was announced that the fuel subsidies currently paid to oil companies would be abolished and that funding from these subsidies would be redirected towards reductions in motor vehicle duty rates. The 2007-08 payments relate to outstanding subsidies owed as at 30 June 2007.[77]

In relation to its question regarding the achievement of outcomes from the granting of subsidies, the Committee was informed that with regard to duty exemptions, the State Revenue Office (SRO) manages several rebate or exemption schemes designed to benefit Victorians. Some of these arrangements are unrelated to taxation, and others are part of, or exemptions from, the tax and duty legislation administered by the SRO.[78]

The duty exemption expenditure referred to above relates to refunds of duty where a pensioner concession has been claimed subsequent to the payment of duty i.e. full duty paid to the SRO prior to lodgement of an exemption request. This represents a smaller proportion of the total exemption claimed as exemptions.[79]

Due to the way that the expenditure is accounted for, the Department advised that it was unable to readily provide a count of the number of claims that make up the $11.8 million of expenditure.[80]

77 Department of Treasury and Finance, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, Part One, p.22

78 ibid.

79 ibid.,

80 ibid.,

As this expenditure account only records exemptions where payments have been made, the account can fluctuate from year to year depending on the number of claims being made where full payment of duty had previously been made. An increase in the amount paid can usually be attributed to an increase in claims, however can also be impacted by the quantum of the claims.[81]

Department of Justice

Table 3.9 discloses a summary of revenue foregone that arose from concessions granted by the Department of Justice in 2006-07 and 2007-08 in relation to 'Working with Children' checks.

Table 3.9: Department of Justice Concessions 'Working with Children' checks 2006-07 and 2007-08

Source of Revenue	2006-07 Revenue foregone ($ million)	Volunteer applications processed free of charge in 2006-07 (Number)	2007-08 Revenue foregone ($ million)	Volunteer applications processed free of charge in 2007-08 (Number)
Working with Children Check (a)	3.5	49,954	8.2	115,684

Note: (a) In 2006-07, the fee foregone was $70.00 per application; 2007-08, $70.70 per application

Source: Department of Justice, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part One, p.22

As 'Working with Children' checks are cyclical in nature, once completed, the check is valid for five years. These checks commenced in 2005-06 with a range of categories phased over five years. The employment categories, where the fee is applicable, were phased towards the beginning of the five year cycle, with volunteer categories later in the cycle. It is due to this phasing that the revenue foregone for volunteer categories has increased from 2006-07 to 2007-08:

It is expected to increase further in 2008-09.

[81] ibid.,

Victoria Police

Concessions granted by Victoria Police in 2007-08 are shown in Table 3.10. The waiver policy applied by Victoria Police to the charging of fees for officiating at events staged in Victoria during 2007-08 resulted in a reduction in fees payable by organisers of $96,369 (i.e. 33.8 per cent of estimated police charges was foregone).

Table 3.10: Victoria Police Concessions 2007-08

Name of Event	Estimated Police Charge	Waiver Amount	Charges Levied
	($)	($)	($)
Apollo Bay Music Festival 2008	7,190.4	-5,900.4	1,290.0
Arthur's Seat Challenge 2007	1,059.2	-631.9	427.4
Aust Open Road Cycling Championship 2008	19,016.5	-12,313.2	6,703.3
Bay 2 Bay Family Cycling Day 2007	14,193.6	-8,953.2	5,240.4
Coburg v Williamstown 2007	915.6	-274.7	640.9
Dandenong Agricultural Show 2007	7,994.4	-3,185.8	4,808.7
Dandenong Thunder v Westgate 2008	1,191.9	-821.9	370.0
Earthcore Global Carnival 2007	7,577.6	-2,577.6	5,000.0
Easternats Auto Spectacular 2008	14,288.0	-840.0	13,448.0
FFV Finals Series 2007	22,664.1	-1,053.1	21,611.0
Heidelberg United v Preston Lions 2008	12,792.4	-11,728.4	1,064.0
Herald Sun Tour 2007	38,734.5	-2,324.0	36,410.5
Melbourne Marathon 2007	27,100.9	-6,653.3	20,447.7
Mothers Day Classic 2008	1,319.0	-512.0	807.0
Run For The Kids 2008	4,807.6	-4,317.6	490.0
Scott Peoples Memorial Race 2007	7,302.4	-3,335.4	3,967.0
South Melbourne Football Club v Essendon Royals 2007	672.3	-235.3	437.0
South Melbourne Football Club v Fawkner Blues 2007	672.3	-235.3	437.0
South Melbourne Football Club v Kingston City 2007	806.7	-282.4	524.4
South Melbourne Football Club v Oakleigh Cannons 2007	672.3	-235.3	437.0
South Melbourne Football Club v Sunshine Georges 2007	806.7	-282.4	524.4
St.Kilda Festival 2008	77,099.2	-20,957.1	56,142.2
Tour of the Murray River Road Cycling Classic 2007	6,509.3	-2,030.9	4,478.4
Victoria Street Lunar Festival 2008	7,480.8	-6,380.8	1,100.0
Whittlesea Agricultural Show 2007	2,568.0	-308.0	2,260.0
TOTAL	**285,435.5**	**-96,369.6**	**189,065.9**

Source: Department of Justice, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part One, p.23

Victoria Police waiver policy aims to encourage event organisers to budget for a greater share of police costs each year and ultimately to be sufficiently viable to pay for the full cost of policing the event.[82]

[82] Department of Justice, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, p.24

The waiver for the Herald Sun Tour reduced by 94 per cent (from $38,597 in 2006-07 to $2,324 in 2007-08) and the Melbourne Marathon by 79 per cent (from $32,189 in 2006-07 to $6,653 in 2007-08) due to a significant reduction in police resources, which therefore reduced the impact of police costs on the event budget. In addition, the waiver for the St Kilda Festival reduced by 69 per cent (from $67,343 in 2006-07 to $20,957 in 2007-08) as the event organizer was in an improved financial position.[83]

To understand the desired outcomes to be achieved from the policy of granting wavers in relation to police charges, the Department advised the Committee that partial waivers are granted where the imposition of police costs either threatens the viability of the event/event organiser or of the event being held in Victoria. Inherent in the waiver policy is acceptance by event organisers of the user pays policy and the gradual reduction of waivers as event organisers budget for a greater share of the police costs.[84]

In terms of outcome achievement, the Department indicated that no events were cancelled or transferred interstate as a consequence of the Victoria Police User Pays policy for police at sporting and entertainment events.[85]

83 ibid.
84 ibid.
85 ibid.

CHAPTER 4: UPDATE ON RISK MANAGEMENT PRACTICES IN THE PUBLIC SECTOR

Key Findings of the Committee:

4.1 **Guidance material and support tools on risk management have been available to departments and agencies from the Department of Treasury and Finance (DTF) and the Victorian Managed Insurance Authority (VMIA) since June 2007, the date of the Auditor-General's most recent report to Parliament on the subject.**

4.2 **The Victorian Government Risk Management Framework, issued by DTF in July 2007, is a comprehensive document which brings together information on governance policies, accountabilities and roles and responsibilities for all involved in risk management.**

4.3 **The 2007 risk management framework developed by DTF includes a requirement for Boards in agencies and departmental secretaries to include an attestation in annual reports that risks have been managed in a manner consistent with the Australian/New Zealand risk management standard and that a responsible body such as an audit committee has verified this position. This requirement constitutes a key accountability obligation of all public sector entities.**

4.4 **Since the widening in 2005 of its risk management services beyond insurable risk, VMIA has assumed an active and valuable lead role in the provision to public sector entities of a wide range of guidance material and support tools to assist their risk management practices.**

4.5 **While material on risk management strategies submitted to the Committee from departments and agencies varied in quality and depth of coverage, the responses generally indicate that risk management practices in most entities are now mature elements of organisational settings and systematically integrated with other organisational processes.**

4.6 **Some departments and agencies disclosed a sound strategic position to identifying and controlling the risk of fraud through the operation of established fraud control plans, while others described more recent management initiatives on fraud control including reviews of policies and procedures. Deteriorating external economic conditions and an increasing incidence of credit card fraud within the community reinforce the importance of sound organisational approaches to fraud management in the public sector.**

4.7 **A feature of responses received from both departments and agencies was the absence of specific references to statewide and inter-agency risks and how such risks are addressed in the overall management framework. While not directly indicative of poor awareness of the significance of such risks, the circumstances point to the need for VMIA to place emphasis on their nature and importance in future guidance disseminated to entities across the public sector.**

4.1 Introduction

For some time now, much has been said and written in local, national and international quarters about risk management and its importance as a key factor contributing to effective organisational functioning within the public and private sectors.

The breadth of significance embodied in risk management practices is evident in the following definition:[86]

> *Risk management is a comprehensive process, supported by appropriate strategies and frameworks that are designed to identify, analyse, evaluate, treat and monitor those risks that could prevent a department or agency from achieving its objectives. It covers strategic as well as operational, financial and compliance related risks.*

The importance of sound risk management practices in the Victorian public sector is clearly illustrated when the scope of the above definition is matched with the wide range of essential services that are provided to the community through the public sector. Such services are delivered in many key sectors such as health, education and welfare, in core areas such as infrastructure planning and investment as well as for ensuring vital community security and safety through avenues such as policing, prison management, and provision of ambulance and fire emergency responses. There are also major essential services associated with the environment and the emergence of climate change which encompass sustainable water supplies, prevention and suppression of bushfires and protection from damage of electricity and gas supply networks.

For all of the above services, the government either has direct responsibility or, in the case of situations involving participation by the private sector, ultimate responsibility, for their effective delivery.

The Auditor-General has conducted two audits of the management of risk in the Victorian public sector since 2003.

The first audit was completed in March 2003 and found that risk management was not at the time '*an established or mature business discipline and that public sector organisations did not rigorously assess risks and evaluate controls.'* [87] The audit recommended improving the statewide risk management framework and risk management in public sector organisations.

A more recent audit was finalised in June 2007 and aimed at assessing whether satisfactory progress had been made since the 2003 audit in departments and selected agencies in developing appropriate risk management frameworks and in applying risk management principles in their organisations.[88] The main conclusions from this audit were positive and identified that:

- risk management has been promoted through legislation, ministerial directions, and a good practice guide on governance for Victorian public entities;
- formal application of risk management has become an accepted and widespread practice within departments and almost all agencies;
- executive management or boards have both led and adopted adequate strategies, frameworks, and processes that enable them to manage risk; and
- the role of the Victorian Managed Insurance Authority has been widened to provide risk management services to the public service beyond insurable risk.

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86 Victorian Auditor-General's Office, *Managing risk across the public sector, Toward good prac*tice, June 2007, p.1

87 Victorian Auditor-General's Office, *Managing risk across the public sector, Toward good prac*tice, June 2007, March 2003, p.4

88 Victorian Auditor-General's Office, *Managing risk across the public sector, Toward good prac*tice, June 2007, p.2

However, a final conclusion from the audit pointed to the need for further improvements to:

- risk management (enterprise-wide) in Victorian public sector organisations by:
  - central agencies issuing risk management (enterprise-wide) guidelines;
  - strengthening risk management practices; and
  - applying the Australian/new Zealand standard (AS/NZS4360 2004) more rigorously.
- statewide risk management by a central agency developing a framework and issuing clear directions and guidelines on how to manage these risks.

The report included eight recommendations to address this final conclusion.

As part of its *2007-08 Financial and Performance Outcomes Inquiry*, the Committee examined the extent of risk management guidance that had been issued to departments and agencies since the June 2007 report of the Auditor-General. It also sought from departments and agencies information on:

- risk management strategies in place including those relating to the prevention, detection and response to the risk of fraud; and
- the level of independent verification that each organisation obtains to ensure that strategies (including internal control frameworks) are operating effectively.

The overall aim of the Committee was to assess the extent to which action had been taken since June 2007 to address the outstanding issues identified by the Auditor-General.

4.2 Guidance and support tools on risk management available to departments and agencies since June 2007

The Committee was pleased to find that high quality guidance and support tools on risk management have been available to departments and agencies in the public sector since June 2007.

An important step occurred in July 2007 with the release by the Department of Treasury and Finance (DTF) of the Victorian Government Risk Management Framework. This comprehensive framework brings together information on governance policies, accountabilities and roles and responsibilities for all involved in risk management. The framework:[89]

- adopts a common risk management standard across public sector agencies which stipulates, as a minimum, adherence to the key principles of the Australian/New Zealand Management Standard 4360;
- requires, as a key accountability initiative, an attestation by Boards and departmental secretaries in annual reports that risk management processes consistent with the standard are in place, the processes are effectively controlling risks and a responsible body or the audit committee has verified that risks have been effectively controlled;
- stresses that risk management is an integral part of good management practice and an essential element of good corporate governance; and
- allocates a chapter to the important area of management of inter-agency and statewide risks.

[89] Department of Treasury and Finance, *Victorian Government Risk Management Framework*, July 2007

On the latter point, the framework's overview states:

> *Increasingly the public sector is operating in an environment of shared accountabilities to achieve outcomes which cut across specific departmental responsibilities. In this context it is important that risks with the potential to impact across agencies or at a whole-of-government level are communicated or escalated through to potentially affected agencies to enable a coordinated, effective and timely approach to risk management.*

The Committee considers that DTF's Victorian Government Risk Management Framework adequately addresses those areas earmarked by the Auditor-General in 2007 as requiring further improvement. The framework represents a positive contribution to facilitating continuing high quality performance in risk management by agencies across the public sector.

In addition to DTF's work, the Committee also found that the Victorian Managed Insurance Authority (VMIA) has, particularly since the widening in 2005 of the ambit of its risk management services beyond insurable risk, assumed an active and valuable lead role in the provision to public sector agencies of a wide range of guidance material and support tools to assist their risk management practices.

VMIA's website provides an insight into the extensive nature of guidance material and support tools on risk management that the organisation has made available to public sector agencies. The information that can be accessed on the website includes:[90]

- guidance on the fundamental components of the risk management process encompassing the formulation of risk management policies, risk assessment, risk treatment plans, and monitoring and review actions;
- the results of a risk framework quality review conducted in 2006 which led to a greater understanding by VMIA of clients' risk management frameworks, and identified the top five key risk categories across the government sector as well as seven key areas for improvement – these areas were risk management reporting, development of key risk indicators, business continuity management, aligning internal audit and risk management assurance, risk registers, understanding and commitment to risk management at all levels of the organisation, and implementing risk management within project methodology;
- specific guidance for agencies on implementation of the previously - mentioned 'attestation' requirement of the Victorian Government Risk Management Framework incorporating key principles underpinning the attestation obligation of Boards and accountable officers, frequently asked questions, the attestation framework and information on attestation seminars conducted in 2007 and 2008;
- a *'Guide for developing and implementing your risk management framework'* released in July 2008 which addresses the development, implementation, and monitoring and enhancement of a risk management framework, with templates and good practice examples presented for each step in the process;
- an outline of the status of a draft international standard on risk management, ISO 31000, the first of its kind scheduled for release later in 2009, its relationship with the current Australian/New Zealand standard and how the transition to ISO 31000 might affect agencies; and
- a *'Profile of Risk Management Professionals in the Victorian Public Sector'*, dated January 2009, which documents the results of a survey of the competency, capability and seniority of risk management professionals in the Victorian public sector.

[90] Website of the Victorian Managed Insurance Authority , <www.vmia.vic.gov.au> , accessed 31 March 2009

The latter profile indicates that risk management professionals in the public sector are *'highly educated individuals operating at senior levels within their organisations. To a greater extent, they have acquired their skills and expertise in risk management by means of self-learning, with little formal risk management training and education.'* While respondents to the survey indicated the benefits of risk management are not fully communicated and understood across all levels of the organisation, they felt there was a common understanding of the importance of a shared risk responsibility across senior management and staff. The profile identifies that VMIA is developing a detailed action plan on six areas (training, accreditation framework and awards strategy, client services, mentoring and networking, research and attestation) for the focusing of its future efforts in response to the survey findings.

VMIA's guidance material and support tools are supplemented by periodic risk management seminars and a quarterly risk management publication, *Risky Business*, as well as a series of information bulletins on pertinent topics via periodic risk updates and risk insights. In addition, VMIA is planning to conduct its inaugural Risk Conference in October 2009.

The Committee considers that VMIA has responded proactively and competently to the task of assisting public sector agencies in meeting their responsibilities for managing risk. Its work in this area would have been a major contributor to the positive findings of the Auditor-General in 2007 on the improving quality of risk management in the public sector. Since those findings, the VMIA's risk management initiatives have been substantial and likely to have been a significant facilitator in further advancing the strategic and operational performance of risk management professionals within departments and agencies, and enhancing the effectiveness of governance and overall organisational functioning in the public sector.

4.3 Responses received from departments and agencies on risk management strategies

As mentioned in an earlier paragraph, the Committee sought from departments and agencies information on:

- risk management strategies in place including those relating to the prevention, detection and response to the risk of fraud; and
- the level of independent verification that each organisation obtains to ensure that strategies (including internal control frameworks) are operating effectively.

Against the background of the initiatives taken by DTF and VMIA, as outlined in the above paragraphs, the Committee was interested in assessing the strategic calibre of organisational responses and, in particular, identifying whether the responses reflected the depth of available guidance and support, and were indicative that full advantage had been taken of such assistance.

4.3.1 Analysis of responses from departments

The Committee received responses from all 10 departments. While the responses varied in terms of the quality of their overall content, most departments identified for the Committee the principal elements of their risk management strategies which mainly involved:

- descriptions of the key features of risk management policies and frameworks in place and of their modus operandi;
- references to the alignment of policies and frameworks with the Australian/New Zealand risk management standard;
- the use of specially-established risk management committees to facilitate organisational-wide approaches to the management of risks;
- active involvement of audit committees in periodic scrutiny of organisational performance in identifying and controlling risks;

- details of recent enhancements to policies and management frameworks, including the nature of enhancements that followed reviews conducted by VMIA; and
- summaries of the manner in which fraud is managed and controlled, with some departments indicating a mature strategic position through the operation of established fraud control policies, while others described more recent management initiatives on fraud control including reviews of existing policies and procedures.

On the latter point dealing with fraud risk, deteriorating external conditions and an increasing incidence of credit card fraud within the community reinforce the importance of sound organisational approaches to the management of fraud within the public sector. Against this background, VMIA issued a timely risk update, *Fraud risk on the rise*, in February 2009 which accentuates the importance of organisations understanding where fraud risks exist, and developing and implementing cost effective and robust strategies to manage those risks effectively. The update identifies 10 principles that need to be applied in developing a fraud control plan, including executive buy-in and zero tolerance, as well as those areas that could be subject to increased fraudulent activity in the current economic environment. The Committee considers this risk update would have been useful to those departments that have taken recent steps to upgrade their fraud control strategies.

With regard to independent verification of risk management performance, departments referred to reviews undertaken by the Auditor-General, internal audit, independent contractors and the VMIA, with management performance overviewed by an audit or risk management committee. The responses indicate that significant attention is directed to this important area. Relevant to this issue is the requirement established under the Victorian Government Risk Management Framework for departmental secretaries (as accountable officers) to provide an attestation in annual reports that risks have been managed in a manner consistent with the risk management standard and that a responsible body or the audit committee has verified that position.[91]

From an overall perspective, the Committee considers that the departmental responses are encouraging and point to a heightened strategic awareness of the importance of having in place sound risk management practices which are subject to regular independent verification. As mentioned earlier, the valuable guidance material issued by DTF and VMIA and the latter's active leadership role in risk management guidance, training and support would have assisted organisations in strengthening their risk management practices.

One distinctive feature of the departmental responses relating to risk management strategies was the general absence of specific references to inter-agency and statewide risks and how such risks are addressed in the overall management framework. The importance of strong attention to these risks was stressed in the Auditor-General's 2007 report and, as mentioned in an earlier paragraph, highlighted (with accompanying valuable guidance) in DTF's Victorian Government Risk Management Framework. Inter-agency risks were identified by the Auditor-General as resulting from joined-up government where two or more departments or agencies work together, across organisational boundaries, to deliver government services or programs, or to share services.[92]

The Committee was surprised that only one department made mention of risk management strategies that extend beyond departmental boundaries, which included a reference to the use of a portfolio audit committee. No department referred specifically to the management of statewide and inter-agency risks. Given the importance of such risks and that many departments would have involvement with other agencies in coordinating or delivering across-agency programs or services, the Committee expected there would be greater specific coverage on the subject in the responses. It may be that departments intended that the risk management practices described in their responses should be read as also applicable to statewide and inter-agency risks. Nevertheless, the circumstances indicate to the Committee that there would be merit in the VMIA directing focus in its forward plans to the nature and importance of statewide and inter-agency risks, accompanied by relevant guidance material, training and support tools, to increase awareness and assist performance in this area.

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91 Department of Treasury and Finance, *Victorian Government Risk Management Framework*, July 2007, p.5

92 Victorian Auditor-General's Office, *Managing risk across the public sector: Toward good prac*tice, June 2007, p.45

Recommendation 6: **The Victorian Managed Insurance Authority include, within its forward risk management program, guidance and training for public sector entities to assist their management of statewide and inter-agency risks.**

4.3.2 Analysis of responses from non-departmental agencies

The Committee received responses from 31 agencies outside the departmental sector.

The Committee found that, while some responses from agencies were less informative than those received from departments, most indicated that risk management practices are mature elements of their organisational settings and systematically integrated with other organisational processes.

A small number of agencies simply itemised their risk management policy documents or the elements of their internal control framework without descriptive comment on their strategic significance. In addition, some agencies directed no attention to risk management strategies and practices, but restricted responses to the approach taken to control fraud and corruption, which was often through implementation of fraud and corruption control plans.

The Committee was impressed with the response submitted by South East Water which included the following key macro points:[93]

> *South East Water has in place a Risk Management Policy and Risk Management Framework aimed at protecting itself against a potential negative event or the failure to take advantage of an opportunity that may prevent the Company from meeting its objective.*
>
> *The Company maintains a strong risk management culture with risk management practices embedded across all business functions. The objective is to maintain a uniform approach to the management of risk across the organisation.…..*

The Committee considers that these comments succinctly describe the main high-level features of a strong organisational approach to risk management.

The Committee was also encouraged by advice provided by City West Water and the National Gallery of Victoria identifying that they had received favourable assessments of their risk management frameworks following quality reviews undertaken by VMIA. City West Water received an admirable *'exemplary'* rating from VMIA in 2007-08 and the National Gallery of Victoria was assessed as *'very good'* and improving over time. The Committee regards the involvement of VMIA in periodic quality reviews of agencies' risk management frameworks as a source of valuable external feedback to agencies.

With regard to independent verification of risk management performance, agencies provided broadly similar responses to departments and cited the work of the Auditor-General, internal audit (generally involving external audit practitioners), independent contractors and the VMIA, with verification overviewed by an audit or risk management committee. Some agencies cited verification arrangements peculiar to their organisational environment. For example, the Treasury Corporation of Victoria referred to reviews undertaken by the Prudential Supervisor who monitors compliance with the Prudential Policy established by the Treasurer and adopted from the standards of the Australian Prudential Regulatory Supervisor.

Similar to the position with accountable officers in departments, Boards of non-departmental agencies are required under the Victorian Government Risk Management Framework to provide an attestation in annual reports that risks have been managed in a manner consistent with the Australian/New Zealand risk management standard and that a responsible body such as an audit committee has verified that position. This requirement constitutes a key accountability obligation of all public sector entities for their performance in managing risks.

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93 South East Water, *Response to the Committee's 2007-08 Financial and Performance Questionnaire*, P.25

Also, similar to the departmental responses, agencies directed little attention to statewide and inter-agency risks relevant to their organisations and how these risks are addressed in the overall management framework. As most of the agencies would have involvement with other agencies in coordinating or delivering key across-agency programs or services, the Committee expected greater coverage of this area in the responses.

While not wishing to read too much into this position, as specific questions on such risks were not raised with the agencies, the Committee regards the circumstances as reinforcing the importance of VMIA placing some emphasis in its future guidance to agencies on the nature and importance of statewide and inter-agency risks. It has therefore widened the ambit of its Recommendation 1 (set out in an earlier paragraph) beyond departments to encompass all entities in the Victorian public sector.

CHAPTER 5: PUBLIC SECTOR INFRASTRUCTURE AND ASSET INVESTMENT PROGRAM

Key Findings of the Committee:

5.1 **Net infrastructure investment is expected to average $3.3 billion a year over the four years to 2010-11 ($3.6 billion in 2007-08). The 2007-08 budget announced asset projects with a TEI of $2.9 billion. Six departments (Departments of Education and Early Childhood Development, Human Services, Justice, Transport, Sustainability and Environment, and Planning and Community Development) accounted for $2.5 billion estimated expenditure. Actual expenditure for these departments was $2.4 billion.**

5.2 **The government's annual financial report for 2007-08 states that infrastructure spending in the general government sector was $3.9 billion, an increase of 0.2 per cent from 2006-07, equivalent to 1.7 per cent of Gross State Product.**

5.3 **In total, 40 projects experienced a delay during 2007-08 and 57.5 per cent of those projects resulted in an under expenditure in excess of 10 per cent.**

5.4 **The Committee saw evidence of poor planning and timeline scheduling for projects by departments that has contributed to project delays. Stronger corporate knowledge and experience in planning projects with realistic timelines needs to be reinforced at Departmental levels.**

5.5 **There were 25 projects in which expenditure exceeded budget allocation by greater than 10 per cent. Funding for accelerated works was most often sourced internally through one of three means: brought forward funding, surplus funding within a program, or the temporary shifting of funds between projects.**

5.6 **Departments provided a range of reasons to the Committee for variances in spending on major infrastructure projects against allocations in the 2007-08 budget. Reasons included issues with planning and changes to project plans, timing of permit processes and agreements between Departments and key stakeholders, the effects of the drought, identification of asbestos, contractor performance, material availability and supply and the acceleration of planned works.**

5.7 **There were 40 major infrastructure projects underway in 2007-08 in which the original completion date had been changed, of which 33 (82.5 per cent) had variations in budget expenditure greater than 10 per cent. The most significant change was the acceleration of the Wimmera-Mallee Pipeline Project from a completion date of 2015 to June 2010.**

5.8 **The Committee is concerned that three projects have significantly rescheduled completion dates (Integrated Court Management System, Wodonga Rail Freight, and Urban Redevelopment and Vigilance Control and Event Recording System for the metropolitan rail system).**

5.1 Introduction

Net infrastructure investment is expected to average $3.3 billion a year over the four years to 2010-11 ($3.6 billion in 2007-08). The 2007-08 budget announced asset projects with a TEI of $2.9 billion. Infrastructure and asset investment in 2007-08 was focused on the areas of education, health, housing, sustainability, transport and policing.[94]

The government's annual financial report for 2007-08 states that infrastructure spending in the general government sector in 2007-08 totalled $3.9 billion and consisted of:[95]

Total purchases of non-financial assets	$2.8 billion
Less	
Proceeds from asset sales	($0.2 billion)
Add	
Net contributions to other sectors	$1.3 billion
Net investment in fixed assets	$3.9 billion

Government net investment in fixed assets increased from $3.3 billion in 2006-7 to $3.9 billion in 2007-08, an increase of 18.2 per cent.

The *Report on the 2008-09 Budget Estimates – Part Three* identified that, while the level of asset investments has increased from 0.9 per cent of GSP in 1999-2000 to an estimated 1.5 per cent for 2008-09, the greatest increases occurred in 2006-07 and 2007-08 with an upward movement of 0.3 per cent and 0.2 per cent respectively, moving asset investment to 1.7 per cent of GSP in 2007-08.[96]

The Committee has reviewed the asset investment of six Departments. Their combined actual expenditure of $2.4 billion represents 61.5 per cent of net Government investment in fixed assets in 2007-08.

Table 5.1: Purchase of non-financial assets by Department 2007-08

Department	Actual expenditure 2007-08	Estimated expenditure 2007-08	Variance in expenditure
	($ million)		(%)
Education and Early Childhood Development	489.3	620.5	-21.1
Human Services	674.2	670.4	0.6
Justice	157.9	169.0	-6.6
Transport	937.4	922.0	1.7
Sustainability and Environment	95.0	118.6	-19.9
Planning and Community Development	20.9	18.8	11.2
Total	**2,374.7**	**2,519.3**	**-5.7**

Source: Department of Treasury and Finance, Financial Report for the State of Victoria 2007-08, October 2008, p.20

Table 5.1 provides a comparison of the estimated and actual expenditure for each Department reviewed by the Committee. It is worth noting that the Department of Education and Early Childhood Development and Department of Sustainability and Environment both underspent significantly at 21 and 20 per cent respectively.

94 Department of Treasury and Finance, 2007-08 Victorian Budget Overview, p.10

95 ibid.

96 Public Accounts and Estimates Committee, Report on the 2008-09 Budget Estimates Part Three, October 2006, pp.63-64

5.2 Departmental explanations from instances of variations in asset spending against 2007-08 expenditure projections

The Committee asked the six Departments selected to provide details of asset investment projects identified in the 2007-08 Budget Information Paper No.1 – Public Sector Asset Investment Program, with a TEI in excess of $10 million and where expenditure was expected to occur during 2007-08. Details sought by the Committee included:

- estimated, actual and variance in expenditure;
- specific reasons for any variations greater than 10 per cent between the estimated and the actual expenditure for 2007-08;
- TEI and remaining expenditure;
- the original, revised and forecast completion dates for each project; and
- specific reasons for any variations between the original, revised and forecast completion dates.

For reporting purposes, department responses have been classified according to whether the variance between estimated and actual expenditure on asset investment projects in 2007-08 was above or below the estimated figure. Tables 5.3 and 5.4 respectively list projects in which actual expenditure was below the budget allocation (Table 5.3) and those projects in which expenditure exceeded the budget estimate for 2007-08 (Table 5.4).

5.3 Analysis of information presented in tables 5.3 and 5.4

Project information supplied by departments documented a range of discrepancies between actual expenditure compared with 2007-08 budget allocations. The Committee addresses projects with zero expenditure in section 5.3.3. The Committee's focus is on projects with expenditure variations greater than 10 per cent.

When examining these tables, it is important to recognise that they present a *'point in time'* view on the status of progress towards project completion and that a negative or positive expenditure variance does not necessarily mean a change in the overall TEI for the project. Variations may have a number of causes, including a shift in the planned expenditure pattern.

5.3.1 Major infrastructure projects with actual expenditure lower than estimated in 2007-08 (Table 5.3)

The main reasons provided by departments for lower than expected budget expenditure in 2007-08 were delays to projects and outstanding invoices. Delays occurred in a range of project phases including approvals, planning, timing and supply. These project delays highlight potential problems in the planning and implementation of major infrastructure projects.

Table 5.2 summarises the breakdown, by department, of projects which experienced a delay in 2007-08 (details in Table 5.7), the number of those projects in which an under expenditure greater than 10 per cent was identified and the total under expenditure for the identified projects. In total, 40 projects experienced a delay during 2007-08 and 58.5 per cent of those projects resulted in an under expenditure in excess of 10 per cent.

Table 5.2: Delayed projects with under expenditure greater than 10 per cent in 2007-08

Department	Delayed projects in 2007-08	Number of delayed projects with an under expenditure greater than 10 per cent	Total funding under expenditure ($ million)
Transport	11	9	85.4
Human Services	12	5	17.6
Education and Early Childhood Development	9	5	15.1
Justice	5	4	9.9
Sustainability and Environment	2	-	-
Planning and Community Development	1	-	-
Total	**40**	**23**	**128.0**

Sources: Department responses to Public Account and Estimates Committee Outcomes Questionnaire - Part Two

A variety of factors were detailed by departments to explain project delays, including site contamination issues, complex project planning, rescheduling requirements to avoid disruption to services and re-phasing based on contract milestones. These factors illustrate the importance of establishing realistic timelines for projects from the outset.

The Committee acknowledges that some delays were beyond the control of departments, for example:[97]

- a prime contractor being placed into administration during implementation of the Vigilance Control and Event Recording System project.

The importance of good project management in preventing delays was highlighted by responses from the Department of Transport and Department of Justice. The Department of Transport advised the Committee that Metropolitan Train Safety Communications System and Metropolitan Train Services projects had to be re-phased when contractor's failed to meet designated milestones.[98] The Department of Justice detailed that contractor delays in the supply of software resulted in delays to the implementation of the Integrated Court Management System project with financial penalties being applied.[99]

There were instances, however, where lower than estimated expenditure was a result of changed project arrangements. For example, on 21 November 2007 the Premier announced that the Children's Health Partnership would design, build, finance and maintain the Royal Childrens Hospital for a 25-year period. As a result, the estimated state investment in the project decreased from $847 million to $47.1 million.[100]

Not all reduced expenditure had a positive outcome for Victoria. The Department of Sustainability and Environment's Victorian Water Trust Assets – Upgrades program included projects which were reliant on matched Commonwealth funding. This funding was not provided, contributing to a 30.3 per cent reduction in project expenditure and the delivery of fewer projects within the program.[101]

97 Department of Transport, response to the Committee's Financial and Performance Questionnaire – Part Two, Attached spreadsheet

98 ibid.

99 Department of Justice, response to the Committee's Financial and Performance Questionnaire – Part Two, p.3

100 Department of Human Services, response to the Committee's Financial and Performance Questionnaire – Part Two, p.22

101 Department of Sustainability and Environment, response to the Committee's Financial and Performance Questionnaire – Part Two, p.7

While major infrastructure projects can be complex, information provided to the Committee is indicative of inadequate planning and timeline scheduling for projects which contributed to project delays. It is considered integral that departments have suitable knowledge management processes in place to ensure they can fully document and apply sound project planning and program well for risks to delivery including delays. The Committee recommends that Departments enhance their knowledge management processes regarding major infrastructure projects to develop technical strategies for project planning and setting timelines.

Recommendation 7: **Departments establish knowledge management processes and systems that facilitate the sharing of expert knowledge and lessons learnt in the planning and timing of major infrastructure projects. This is essential in the planning stages of a project.**

5.3.2 Major infrastructure projects with actual expenditure in excess of budget for 2007-08 (Table 5.4)

Where a major infrastructure project exceeded budgeted expenditure in 2007-08 the reason given most often by departments was accelerated works. Project acceleration was attributed to the expediting of a project or faster than intended completion of scheduled works.

There were 25 projects in which expenditure exceeded budget allocation by greater than 10 per cent. The Department of Human Services accounted for almost half the projects (12), followed by the Department of Transport (five projects), the Department of Education and Early Childhood Development (three projects), the Department of Sustainability and Environment (three projects), the Department of Justice (one project) and the Department of Planning and Community Development (one project). Reasons for accelerated works included:

- favourable building conditions;
- proactive project management;
- urgent priority infrastructure works;
- accelerated software development;
- works delivered ahead of schedule; and
- earlier compulsory acquisition of land.

An exception to these reasons for accelerated projects was 'unforseen project variations' in the upgrading of Williamstown High School, which had a 124.2 per cent variance which equated to additional expenditure of $0.82 million. This expenditure took the project past TEI by 0.7 per cent, however, the additional expenditure was 'able to be funded from savings on other projects'.[102]

Where project works were accelerated, funding was acquired from three sources. They were:

- brought forward funding;
- surplus funding within a program; and
- temporary shifting of funds between projects.

The Department of Sustainability and Environment used brought-forward funding for three projects with a variance greater than 10 per cent. While the Department of Sustainability and Environment did not specifically mention obtaining approval for this action, the Department of Justice stated that approval from the Treasurer had been granted to bring forward funding for the Moorabbin Court Complex from 2008-09. The Department of Education and Early Childhood Development also used surplus funding from other programs to facilitate specific projects.

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[102] Department of Education and Early Childhood Development, response to the Committee's Financial and Performance Questionnaire – Part Two, p.5

The shifting of funds from one project to another was the preferred method for the Department of Human Services, which used funding from within the overall asset program for all of its projects in this category. The Department stated that in 10 major infrastructure projects 'original cashflows for the project were conservatively based for early stages'.[103]

The Committee recognises that at times a project may advance beyond its planned schedule and as a result require funding resources ahead of budget. The *Financial Management Act 1994* states in section 30 that:

> *The relevant Minister in relation to a department, with the consent of the Treasurer, may determine that part of an amount appropriated for an item in a Schedule to an annual appropriation Act in respect of the department may be transferred to, and applied for the purposes of, another item.*

However, the Committee is concerned by the extent to which fund shifting has occurred at the Department of Human Services. While the Committee recognises that this approach to sourcing additional funding could suit departments of a comparatively large size with multiple building programs and reprioritisation strategies, two repeated statements from the Department raise issues about good project planning, the management of timelines and funding. These statements were:[104]

- that 'original cashflows for the project were conservatively based for early stages'; and
- accelerated cashflow was sourced from within the overall asset investment program.

The Committee considers that the widespread use of accelerated funding and the flexibility and availability of funds from within the overall asset investment program suggests that there is a need to review the practice of conservative timing and funding permitted at the beginning of a project and the level of budget funding applied for and approved for a department's infrastructure and asset projects.

Recommendation 8: **The Department of Treasury and Finance review the practice of conservative estimation of funding requirements and timing of major infrastructure projects and develop or revise guidelines for departments on best practice principles.**

5.3.3 Major infrastructure projects with zero expenditure in 2007-08 (included in Table 5.3)

In four projects there was zero expenditure of 2007-08 allocated funding, recording a 100 per cent variance. Two of these projects were at the Department of Education and Early Childhood Development and one each at the Department of Justice and Department of Sustainability and Environment. The reasons for postponing projects were:

- drought conditions preventing landscaping works;
- unavailability of specialist security equipment;
- unresolved Joint Use Agreement and land purchase issues; and
- time required to gain approvals.

While the Committee accepts the reasons provided, it considers that in the third and fourth instances, departments share responsibility for managing these issues for timely delivery and should have adequate factored in these risks at project planning stage. Land purchase issues and time required to gain approvals are not unique issues in risk management and good project management.

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103 Department of Human Services, response to the Committee's Financial and Performance Questionnaire – Part Two, pp.10-16

104 ibid., pp10-23

Table 5.3: Major infrastructure projects with actual expenditure lower than estimated in 2007-08

Project	B/P No. 1 2007-08 Budget	2007-08 actual	Variance	Explanation for variance	Expenditure 2004-05 to 2007-08	TEI	Remaining expenditure
	($ million)		(%)		($ million)		(%)
Department of Education and Early Childhood Development							
Western Heights Regeneration - Western Heights SC - Three Campuses	3.8	0.0	-100.0	Project documentation is on hold pending resolution of the Joint Use Agreement and land purchase issues with the City of Greater Geelong. It is anticipated contract acceptance will occur in the last quarter of the 2008-09 financial year. If this schedule is achieved, works will be able to commence this financial year, however significant expenditure will not occur until the 2009-10 financial year. Under expenditure was for the construction component of the project.	0.0	13.8	100.0
Maryborough Precinct - Precinct Stage 2	0.4	0.0	-100.0	As a result of drought and hard natural ground conditions, landscaping works were deferred pending review to determine the most appropriate and effective solution for the site.	16.2	16.6	2.2
Ultranet	21.0	2.6	-87.8	Following the evaluation of initial tender responses, procurement and implementation strategies were reviewed involving re-scoping the project to ensure successful delivery within existing budget and timeframes.	3.4	60.5	94.3
Broadmeadows Regeneration - Erinbank SC and Hillcrest SC	2.9	1.0	-64.7	A contract was awarded later than was originally anticipated as project documentation required amendment to avoid potential cost overrun associated with site conditions. The delay has caused under expenditure in the construction component of the project.	1.0	10.4	90.2
Victorian College of the Arts Secondary School (VCASS) – Replacement School	12.0	5.2	-56.4	Site issues, including whether the College was to be cohabitated with Commonwealth funded programs (such as the Australian Ballet School) resulted in delays in project documentation. These issues have been resolved and the project is on track for completion by June 2009. The under expenditure has been on the construction component of the project. The cost estimate was accurate.	5.3	20.0	73.7

Table 5.3: Major infrastructure projects with actual expenditure lower than estimated in 2007-08

Project	B/P No. 1 2007-08 Budget	2007-08 actual	Variance	Explanation for variance	Expenditure 2004-05 to 2007-08	TEI	Remaining expenditure
	($ million)		(%)		($ million)		(%)
Department of Education and Early Childhood Development							
Albert Park SC - Replacement School	4.6	2.0	-56.1	The original budget was based upon refurbishment of the existing building. The building was deemed inappropriate and scope increased to cover demolition and reconstruction. Project scope also included the creation and opening of a new child care centre off site. Further cost overruns were experienced when site contamination issues required investigation and the development of a remediation plan. Remediation works are presently underway. Building works cannot proceed until decontamination is complete. Construction (contract awarded in December 2008) is anticipated to commence towards the end of the 2008-09 financial year following completion of site remediation and demolition. The under expenditure has been for the construction component of the project.	2.0	16.0	87.3
Various Schools - Leading Schools Fund - Modernisation	7.5	4.7	-37.4	A significant number of projects were delayed in the planning stage. In addition, revised project implementation timeframes resulted from schools entering into cluster arrangements or where schools integrated Leading Schools Fund projects with other capital works projects.	9.3	12.1	23.2
Community Facilities Fund (Various)	9.3	8.3	-11.1	Numerous projects require extensive negotiations with the various stakeholders. A number of projects were delayed in the planning stage and/or while partnership/legal arrangements were being finalised. Following confirmation that the Victorian Institute of Educational Leadership was to be sited on existing departmentally owned land in North Melbourne, planning and documentation for the project commenced in the 2007-08. However funds for construction works were not required in the 2007-08 financial year.	28.5	29.5	3.5
Department of Human Services							
Royal Childrens Hospital Redevelopment	145.3	3.1	-97.9	Project was endorsed as a Partnership Victoria project in late 2007, resulting in a significant decrease in state-funded TEI and annual budget. Previously published TEI is no longer relevant. Current state-retained TEI is now $47.1M.	10.1	Originally 847.4 revised 47.1	0
North Richmond Community Health Centre	5.0	0.8	-83.3	Town planning objections raised by local residents (yet to be resolved) has caused a delay to project. Project end date now expected in mid 2011.	4.3	19.0	77.4

Table 5.3: Major infrastructure projects with actual expenditure lower than estimated in 2007-08

Project	B/P No. 1 2007-08 Budget	2007-08 actual	Variance	Explanation for variance	Expenditure 2004-05 to 2007-08	TEI	Remaining expenditure
	($ million)		(%)		($ million)		(%)
Department of Education and Early Childhood Development							
Hospitals Electronic Prescribing	10.0	1.9	-80.6	Roll-out of the clinical systems module has caused overall delay to the project. The end date of the project has been revised to late 2010, but remains with approved TEI.	1.9	21.0	64.8(a)
Geelong Hospital Radiotherapy Service	0.9	0.2	-76.6	All construction works were completed during the period. Project is now in financial completion/defect liability phase with outstanding invoices to be finalised and paid. Project remains within approved TEI.	15.3	16.0	4.3
The Northern Hospital Redevelopment Stage 2a	2.1	0.9	-57.9	Finalisation of an environmental audit on the site delayed completion of the overall project. Audit was completed in early 2008, with all building also completed. Project now in financial completion/defects liability phase with outstanding invoices to be finalised and paid. Project remains within approved TEI.	23.3	24.5	5.0
Grace McKellar Centre Redevelopment Stage 2	2.6	1.3	-50.0	All construction works were completed during the period. Project is now in financial completion/defect liability phase with outstanding invoices to be finalised and paid. Project remains within approved TEI.	50.7	52.0	2.5
Kingston Centre Kitchen Upgrade and Associated Works	10.9	7.5	-31.5	Construction works on the main kitchen were delayed due to a VCAT application lodged by local residents. As a result, the Department has worked closely with local residents to amend the overall scheme, with construction now expected in late 2010. Project remains within approved TEI.	11.5	26.7	57.0
Disability Shared Supported Accommodation SRRP Stage 2	4.3	3.5	-17.1	Project is in early planning stage, which has taken longer than expected. Overall, project is progressing to schedule and is targeted to meet planned end date within approved TEI.	3.5	15.0	76.5
Medical Equipment Program, Acute Health 2006-07	2.5	2.1	-14.8	All funding has been committed, with outstanding invoices yet to be paid. Project remains within overall approved TEI.	17.3	47.7	0.8(a)
Kew Residential Services Redevelopment	12.5	10.7	-14.6	All construction works were completed during the period. Project is now in financial completion/defect liability phase with outstanding invoices to be finalised and paid. Project remains within approved TEI.	55.9	86.5	6.7(a)

Table 5.3: Major infrastructure projects with actual expenditure lower than estimated in 2007-08

Project	B/P No. 1 2007-08 Budget	2007-08 actual	Variance	Explanation for variance	Expenditure 2004-05 to 2007-08	TEI	Remaining expenditure
	($ million)		(%)		($ million)		(%)
Department of Education and Early Childhood Development							
Royal Melbourne Hospital Emergency Department Redevelopment	23.0	19.7	-14.2	Complex project phasing affected by Royal Women's Hospital main redevelopment, affecting progression and staging of planned works for the period. Overall, project is progressing to original schedule and remains within approved TEI.	25.5	56.3	54.8
Placement and Support Residential Facility Renewal Strategy	8.0	6.9	-13.7	Delays to finalisation of design works resulted in delay to early stage of project, affecting overall construction schedule. Project end-date has been amended to reflect delay, but project remains within approved TEI.	6.9	14.2	51.4
Royal Melbourne Hospital Brickwork Rectification	17.8	15.4	-13.5	Urgent brickwork rectification works completed according to schedule. Project is in financial completion phase, with outstanding invoices to be paid. Project remains within overall TEI.	25.7	31.1	17.4
Colac Area Health, Polwarth Nursing Home – RACS	1.5	1.3	-11.7	All construction works for the project were completed during the period. Project is now in financial completion/defects liability phase, with outstanding invoices to be finalised and paid. Project remains within overall approved TEI.	13.4	13.6	1.2
2007-08 Medical Equipment Replacement Program	40.0	35.3	-11.7	All funding has been committed, with outstanding invoices yet to be paid. Project remains within overall approved TEI.	35.3	145.0	75.6
Department of Justice							
Prison Security	0.4	0.0	-100.0	The majority of the project was completed in July 2006. DTF approved a revision of the 2007-08 budget ($0.392 million) to $0.340 million and an adjustment to forward year cashflow. The revision of the budget was required due to the unavailability of specialist security equipment such as walk in security booths and ion scanners.	11.7	12.0	2.8

Table 5.3: Major infrastructure projects with actual expenditure lower than estimated in 2007-08

Project	B/P No. 1 2007-08 Budget	2007-08 actual	Variance	Explanation for variance	Expenditure 2004-05 to 2007-08	TEI	Remaining expenditure
	($ million)		(%)		($ million)		(%)
Department of Education and Early Childhood Development							
10 year Prison Cell and Safety Project	3.6	0.1	-97.5	In the 2001-02 Budget, $50 million funding ($10.25 million of which was later transferred on ERC approval to the security upgrade works at Melbourne Assessment and Barwon prisons) was approved for cell and fire safety upgrades, within the current facilities across the Victorian corrections system, to be expended at $5.0 million per year. The Steering Committee of the Building Design Review Project (BDRP) accelerated the program with a view to completion of works within a five year period. By 2005-06 the works were significantly completed. $36.66 million has been invested in the prison cell and safety project between 2001-02 and 30 June 2008. The remaining budget for this project was re-phased in 2007-08 with the approval of the Treasurer ($3.576) million to $0.097 million and an adjustment to future year cash flow due to a need to re-scope the remaining works based on a revised assessment of which remaining cells needed to be upgraded as a priority. The overall project is still ahead of its original timeframe however the need to reassess priorities has resulted in the reduced expenditure in 2007-08.	16.0	40.1	8.7(a)
Integrated Courts Management System (ICMS)	11.3	7.6	-32.3	Funding for the Department's Integrated Courts Management System (ICMS) was approved in 2005-06 with a TEI of $32.25 million. Expenditure over the course of the project to 30 June 2008 was $24.22 million. The ICMS Program operates on an Earned Value basis. Supplier delay in developing the required software has therefore resulted in less actual expenditure than planned.	24.2	32.3	24.9
Melbourne Legal Precinct Master Plan	17.6	12.1	-31.1	The presence of latent asbestos in the Old County Court building caused delays and subsequent variations to expected expenditure during 2007-08. DTF approved a revision of the 2007-08 budget ($17.587) million to $13.593 million and an adjustment to future year cash flow. Actual expenditure was $12.12 million. Additional funding in the 2008-09 State Budget ($22.0 million) has been approved to deal with the hazardous material and to fund the consequent increase in project cost.	23.4	35.3	33.9

Table 5.3: Major infrastructure projects with actual expenditure lower than estimated in 2007-08

Project	B/P No. 1 2007-08 Budget	2007-08 actual	Variance	Explanation for variance	Expenditure 2004-05 to 2007-08	TEI	Remaining expenditure
	($ million)		(%)		($ million)		(%)
Department of Education and Early Childhood Development							
Road Safety Investment – Digital Red Light Cameras	1.3	1.1	-14.4	Expenditure on the project was lower than anticipated due to savings achieved through the tender process.	5.0	10.1	1.9(a)
Department of Transport							
Coolaroo Station	1.0	0.1	-95	Project design underway.	0.1	36.0	99.7
Wodonga Rail Freight and Urban Redevelopment 3	33.4	3.1	-91	Extensive negotiations with Australian Rail Track Corporation and other parties were required to finalise scope and funding contributions.	12.2	85.0	$115.3 million
Metropolitan Train Control Reliability Systems Upgrade	37.3	12.5	-66	Project schedule revised following independent assessment by the contractor and the need to avoid disruption to train services.	18.2	87.9	79.3
Whole of Government Transit Cities - Ballarat Second Station	8.2	2.9	-65	Finalisation of project scope and subsequent commencement of procurement activities took longer than planned.	4.2	11.0	62.7
Station Pier Safety and Security Upgrade	1.8	0.8	-57	Project rescheduled to enable works to occur outside the cruise ship season.	14.3	15.3	6.5
Vigilance Control and Event Recording System	15.3	7.1	-53	Revised project schedule due to train unavailability and prime contractor being placed into administration.	14.3	37.3	61.4
Track Duplication: Clifton Hill to Westgarth	16.5	9.5	-43	Main works contract awarded later than planned.	11.4	52.0	78.3
SmartBus: Red Orbital - Box Hill to Altona	13.3	8.5	-36	Rescheduling of activities to 2008-09.	9.8	29.1	66.3

Table 5.3: Major infrastructure projects with actual expenditure lower than estimated in 2007-08

Project	B/P No. 1 2007-08 Budget	2007-08 actual	Variance	Explanation for variance	Expenditure 2004-05 to 2007-08	TEI	Remaining expenditure
	($ million)		(%)		($ million)		(%)
Department of Education and Early Childhood Development							
Dandenong Growth Corridor - Development	7.4	5.2	-29	Stage 1 - Cranbourne Stabling and Station Upgrade now under construction.	22.8	22.8	0.0
Public Transport Security Package	5.0	3.6	-28	Rescheduling of activities to 2008-09.	8.6	13.6	36.8
Linking the Suburbs – Craigieburn Rail Project	19.4	14.9	-23	Project completed, final claims only remain.	102.7	115.0	3.9(a)
Metropolitan Train Safety Communications System	10.3	8.2	-20	Payments have been rephased based on contract milestones.	12.5	134.9	90.7
Corio Independent Goods Line including North Geelong track Modifications	10.6	8.4	-21	Rescheduling of some activities to 2008-09.	11.2	13.5	16.3
Level Crossing Safety Package	13.8	11.4	-17	Procurement savings for rumble strip works. Savings to be used for additional advance warning signage in 2008-09.	11.4	22.9	50.2
Metropolitan Train Services	37.7	32.5	-14	Payments were rephased based on contract milestones.	32.5	339.8	90.4
Department of Sustainability and Environment							
Sustainable Water Initiatives - Maintenance	0.5	0.0	-100.0	In 2007-08 this program was expected to fund works associated with the Werribee Vision Project. Funding has been carried over into 2008-09 to allow for gaining the necessary approvals.	0.0	18.2	100.0
Bushfire Recovery 2007-08	5.1	0.7	-86.0	This program did not have a significant underspend as the majority of budgeted expenditure for 2007-08 was instead spent as output funding, including repairs and maintenance to assets damaged in the 2006-07 bushfires. DSE is working with DTF to amend the TEI to reflect this change in funding type.	1.7	11.9	86.1

Table 5.3: Major infrastructure projects with actual expenditure lower than estimated in 2007-08

Project	B/P No. 1 2007-08 Budget	2007-08 actual	Variance	Explanation for variance	Expenditure 2004-05 to 2007-08	TEI	Remaining expenditure
	($ million)		(%)		($ million)		(%)
Department of Education and Early Childhood Development							
Victorian Water Trust Assets – Upgrades	29.3	20.4	-30.3	Some projects under this initiative were reliant on matching Commonwealth funding. This funding was not provided, resulting in State expenditure being lower than anticipated.	122.6	152.6	19.1
Summerland Estate - Restoration	5.0	3.7	-25.1	This program involves the acquisition of properties within Summerland Estate. The buy-back is reliant on the current owners selling, therefore it is difficult to predict annual expenditure.	3.7	15.4	75.7
National Water Initiative – Macalister - Construction	8.1	7.3	-10.5	Funding was carried over into the 2008-09 financial year, due to timing of works	18.7	20.0	6.7

Note: *(a) includes expenditure prior to 2004-05*

minor discrepancies between figures for budget and actual expenditure in 2007-08 and the variance percentage are due to variations in the numerical value representation of these figures

Sources: *Department responses to the Committee's Financial and Performance Outcomes Questionnaire – Part Two*

Table 5.4: Major infrastructure projects with actual expenditure ahead of budget for 2007-08

Project	B/P No. 1 2007-08 Budget	2007-08 actual	Variance	Explanation for variance	Expenditure 2004-05 to 2007-08	TEI	Remaining expenditure
	($ million)		(%)		($ million)		(%)
Department of Education and Early Childhood Development							
Technical Wings and Trade Equipment for Government Schools - (Various)	1.0	15.0	1400.1	Full implementation of the equipment component of this initiative was possible by using surplus capacity in other programs. The 2008-09 allocation was adjusted accordingly.	15.0	50.0	70.0
Better Schools Today (Various Schools)	7.5	18.5	147.0	This initiative was able to be accelerated as there was surplus capacity in other areas of the capital works program. A revised implementation model resulted in reduced procurement times for projects.	18.5	20.0	7.4
Williamstown High School - Replacement School	0.1	0.2	124.2	Over expenditure was due to unforeseen project variations. The overall TEI increase ($82K) was able to be funded from savings on other projects.	11.4	11.3	-0.7
Department of Human Services							
Leongatha Hospital Campus - Stage 1 Residential Aged Care	1.0	3.5	250.0	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Original cashflows for the project were conservatively based for early stages. Proactive management allowed physical works to commence earlier, accelerating cashflow. Overall, project is progressing according to schedule. Accelerated cashflow for 2007-08 sourced from within overall asset investment program. At this stage, there is no anticipated change to approved TEI.	3.5	10.0	65.0
Nathalia District Hospital and Aged Care Redevelopment	0.9	2.4	163.4	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Original cashflows for the project were conservatively based for early stages. Proactive management allowed physical works to commence earlier, accelerating cashflow. Overall, project is progressing ahead of original schedule. Accelerated cashflow for 2007-08 sourced from within overall asset investment program. At this stage, there is no anticipated change to approved TEI.	2.4	18.0	86.8

Table 5.4: Major infrastructure projects with actual expenditure ahead of budget for 2007-08

Project	B/P No. 1 2007-08 Budget	2007-08 actual	Variance	Explanation for variance	Expenditure 2004-05 to 2007-08	TEI	Remaining expenditure
	($ million)		(%)		($ million)		(%)
Peninsula Community Health Service (Hastings) Redevelopment	1.3	3.2	144.4	Original cashflows for the project were conservatively based for early stages. Proactive management allowed physical works to commence earlier, accelerating cashflow. Land acquisition and settlement was also finalised ahead of original schedule. Main construction works are progressing to original schedule, with project end-date remaining unchanged. Accelerated cashflow sourced from within overall asset investment program. At this stage, there is no anticipated change to approved TEI.	3.2	13.0	75.6
Western Hospital (Footscray) Redevelopment Stage 1	1.8	4.0	124.6	Urgent priority infrastructure works were able to be advanced ahead of original schedule. Original cashflows for the project were conservatively based for early stages. Proactive management allowed physical works to commence earlier, accelerating cashflow. Overall, main construction works are progressing ahead of original schedule. Accelerated cashflow sourced from within overall asset investment program. At this stage, there is no anticipated change to approved TEI.	4.0	24.8	83.7
Frankston Hospital Stage 2A (Op Theatre Expansion and Critical Care Redev)	4.0	6.7	66.9	Fit-out of temporary Intensive Care Unit accelerated ahead of original schedule. Original cashflows for the project were conservatively based for early stages. Proactive management allowed physical works to commence earlier, accelerating cashflow. Main construction works are progressing to schedule with project end date remaining unchanged. Accelerated cashflow sourced from within overall asset investment program. At this stage, there is no anticipated change to approved TEI.	6.7	45.0	85.2

Table 5.4: Major infrastructure projects with actual expenditure ahead of budget for 2007-08

Project	B/P No. 1 2007-08 Budget	2007-08 actual	Variance	Explanation for variance	Expenditure 2004-05 to 2007-08	TEI	Remaining expenditure
	($ million)		(%)		($ million)		(%)
Sunshine Hospital Expansion and Redevelopment - Stage 1	4.3	6.2	43.3	Urgent priority infrastructure works were able to be advanced ahead of original schedule. Original cashflows for the project were conservatively based for early stages. Proactive management allowed physical works to commence earlier, accelerating cashflow. Main construction works are progressing to schedule with project end date remaining unchanged. Accelerated cashflow sourced from within overall asset investment program. At this stage, there is no anticipated change to approved TEI.	6.2	20.0	69.2
Warrnambool Hospital Redevelopment - Stage 1	4.0	5.5	38.5	Early works (site decanting etc) were progressed ahead of planned schedule. Main construction works are progressing to schedule with end-date remaining unchanged. Accelerated cashflow sourced from within overall asset investment program. At this stage, there is no anticipated change to approved TEI.	5.5	16.0	65.4
Alfred Centre Development	12.0	14.9	24.1	First stage of construction of overall redevelopment progressing ahead of schedule, allowing DHS contribution to be advanced. Accelerated cashflow for 2007-08 sourced from within overall asset investment program. At this stage, there is no anticipated change to approved TEI.	14.9	17.0	12.4
Alfred Hospital Intensive Care Unit Redevelopment	9.6	11.1	15.8	Original cashflows for the project were conservatively based for early stages. Proactive management allowed physical works to commence earlier, accelerating cashflow. . Project is progressing to overall schedule with end-date remaining unchanged. Accelerated cashflow for 2007-08 sourced from within overall asset investment program. At this stage, there is no anticipated change to approved TEI.	19.2	20.2	5.2

Table 5.4: Major infrastructure projects with actual expenditure ahead of budget for 2007-08

Project	B/P No. 1 2007-08 Budget	2007-08 actual	Variance	Explanation for variance	Expenditure 2004-05 to 2007-08	TEI	Remaining expenditure
	($ million)		(%)		($ million)		(%)
Northern Hospital - Mental Health Expansion and Short Stay Unit	1.3	1.5	14.8	Early planning review progressed ahead of schedule, allowing consultant payments to be advanced. Original cashflows for the project were conservatively based for early stages. Proactive management allowed physical works to commence earlier, accelerating cashflow. Overall, project is progressing to original schedule with end date remaining unchanged. . Accelerated cashflow sourced from within overall asset investment program. At this stage, there is no anticipated change to approved TEI.	1.5	27.9	94.7
Caulfield General Medical Centre Logistics Building and Associated Works	13.7	15.6	13.9	Construction works for the logistic building were accelerated, resulting in advanced expenditure. Original cashflows for the project were conservatively based for early stages. Proactive management allowed physical works to commence earlier, accelerating cashflow. All main construction works completed in May 2008, with facility opened in June 2008. Accelerated cashflow sourced from within overall asset investment program. At this stage, there is no anticipated change to approved TEI.	21.0	23.5	11.0
Barwon Health, Geelong Hospital Emergency Department Redevelopment	13.0	14.7	13.4	Original cashflows for the project were conservatively based for early stages. Proactive management allowed physical works for stage 1 to commence earlier, accelerating cashflow. Accelerated cashflow sourced from within overall asset investment program. At this stage, there is no anticipated change to approved TEI.	22.9	26.1	12.3
Department of Justice							
Moorabbin Court Complex	1.5	4.6	210.7	$18 million (over 4 years) was approved in the 2003-04 Budget. ERC approved an additional $10.2 million (TEI $28.2 million) for this project. (Source 2006-07 PAEC Outcomes Questionnaire) The project was completed in October 2007, ahead of schedule. Approval was provided in 2007-08 by the Treasurer to bring forward the funding from 2008-09 to meet the earlier than anticipated cashflow requirements.	21.9	28.1	1.4

Table 5.4: Major infrastructure projects with actual expenditure ahead of budget for 2007-08

Project	B/P No. 1 2007-08 Budget	2007-08 actual	Variance	Explanation for variance	Expenditure 2004-05 to 2007-08	TEI	Remaining expenditure
	($ million)		(%)		($ million)		(%)
Department of Transport							
New Ticketing Solution	33.2	88.3	166	Acceleration of the non-software elements of the project, including civil works. In addition revised payments for software development activities.	171.0	283.2	39.6
Caulfield-Dandenong Rail Corridor Stage 1: Cranbourne Stabling & Station Upgrade	5.0	11.6	132	Works delivered more quickly than originally scheduled.	11.6	35.1	67.0
Regional Rollingstock	12.5	19.2	54	Payments were rephased based on contract milestones.	41.7	65.1	35.9
Railway Crossing Upgrades	20.4	25.6	25	Acceleration of works program.	46.1	79.1	41.7
Accessible Public Transport in Victoria: DDA compliance for Train, Tram and Bus	35.3	40.3	14	Construction of accessible tram platforms was accelerated.	56.4	129.2	56.3
Department of Sustainability and Environment							
Wimmera-Mallee Pipeline Project – State component - Construction	36.8	139.0	278	Funding in future years was brought forward into 2007-08 to allow for accelerated works.	208.0	266.0	21.8
Wimmera-Mallee Pipeline Project – Comm'th component - Construction	43.4	168.5	288.7	Funding in future years was brought forward into 2007-08 to allow for accelerated works.	245.0	266.0	7.9
Modernisation of Shepparton Irrigation Area - Construction	11.6	37.5	223.3	Funding in future years was brought forward into 2007-08 to allow for accelerated works.	37.5	37.5	0.0
Department of Planning and Community Development							
Whole of Government: Transit Cities – Revitalising Central Dandenong (Dandenong)	55.7	75.2	35.0	The Compulsory Acquisitions of land were earlier than estimated.	109.7	243.5	45.1

Note: *minor discrepancies between figures for budget and actual expenditure in 2007-08 and the variance percentage are due to variations in the numerical value representation of these figures*

Sources: *Department responses to the Committee's Financial and Performance Outcomes Questionnaire – Part Two*

5.4 Revision of completion dates for major infrastructure projects

For the Report on the 2007-08 Financial and Report Outcomes the Committee sought information from departments regarding major infrastructure projects in which the original completion date had changed by more than three months and reasons for rescheduling the date. The Committee has reviewed 41 rescheduled projects of which 38 fit within this category. Three projects (included in Table 5.7) had variations to completion date less than three months. The review includes both extensions to completion dates as well as projects completed earlier than originally scheduled.

5.4.1 Effect of project rescheduling on 2007-08 financial outcomes

The rescheduling of completion dates for major infrastructure projects correlated with 33 projects reporting financial outcomes with variations greater than 10 per cent in 2007-08. In 25 projects expenditure was less than budgeted and in eight projects expenditure exceeded 2007-08 budget allocation. The remaining seven projects did not have significant variations in financial outcomes.

Revisions to completion dates resulted in eight projects scheduled to be completed in 2007-08 being extended. These extensions resulted in expenditure variations greater than 10 per cent in seven of the eight projects, with four under-spending and three exceeding budget allocations.

A range of explanations were provided to account for the eight major infrastructure projects originally scheduled to be completed in 2007-08 but subsequently extended to a later completion date. They included:

- latent site conditions requiring design changes to future-proof the site;
- time needed for major planning work of a redevelopment site;
- re-scoping of works to account for presence of asbestos; and
- revised construction program to increase seating capacity.

5.4.2 Revised completion dates and budgetary consequences

The Committee wishes to reiterate the interdependency of cost and timing and its impact on value-for-money (see Chapter 7 for further analysis of value-for-money in procurement) in major infrastructure projects.

The completion dates for five projects were brought forward. The projects are outlined in Table 5.5.

Table 5.5: Projects brought forward

	Original Completion Date	Revised Completion Date	2007-08 Budget ($ million)	2007-08 Actual ($ million)	Variance (per cent)
Wimmera-Mallee Pipeline Project – Commonwealth component – Construction	Jun-15	Jun-10	43.4	168.5	288.7
Wimmera-Mallee Pipeline Project – State component – Construction	Jun-15	Jun-10	36.8	139.0	278.0
Nathalia District Hospital and Aged Care Redevelopment	Aug-10	Mar-10	0.9	2.4	163.4
Western Hospital (Footscray) Redevelopment Stage 1	Oct-10	Jun-09	1.8	4.0	124.6
Track Duplication: Clifton Hill to Westgarth	Jun-10	Dec-09 (forecast June 2009)	16.5	9.5	-43.0

Source: Department responses to the Public Accounts and Estimates Committee Outcomes Questionnaire - Part Two

The Wimmera-Mallee Pipeline has had a significant change to its completion date and this has affected the high expenditure in excess of funding allocated in the 2007-08 budget.[105] Favourable building conditions resulted in the acceleration of the Nathalia District Hospital and Aged Care Redevelopment project and acceleration of the Western Hospital redevelopment project was a result of 'urgent priority infrastructure works' being advanced ahead of schedule. In both cases funding was sourced from within the Department of Human Services overall asset investment program.[106] The Track Duplication project differs from the preceding four projects as expenditure was less than budgeted for 2007-08. The Department of Transport explained that underspending was due to the main works contract being awarded later than planned.[107]

Caution must be used when examining these figures, as changes to expenditure for a particular year does not necessarily mean that the TEI for the project will have been impacted upon. However, significant over expenditure, as seen in Table 5.5, may involve departments reallocating funds from other sources to meet the funding requirements of accelerated projects.

5.4.3 Projects with significantly revised completion targets

The Committee notes that three projects have extended completion dates along with small remaining budgets and significant variations in 2007-08 expenditure. These projects are the:

- Integrated Court Management System;
- Wodonga Rail Freight and Urban Redevelopment; and
- Vigilance Control and Event Recording System.

105 Department of Sustainability and Environment, response to the Committee's Financial and Performance Questionnaire – Part Two, pp.7-8 and 10

106 Department of Human Services, response to the Committee's Financial and Performance Questionnaire – Part Two, pp.11-12

107 Department of Transport, response to the Committee's Financial and Performance Questionnaire – Part Two, Attached spreadsheet

The remaining two transport projects with significantly revised completion dates are detailed in Table 5.6.

Table 5.6: Projects with significantly revised completion targets

Project	2007-08 Budget ($ million)	2007-08 Actual ($ million)	2007-08 variation (per cent)	Original completion date	Revised completion date	Forecast completion date
Integrated Court Management Systems	11.3	7.6	-32.3	Sep 2009	Aug 2010	Dec 2010
Wodonga Rail Freight and Urban Redevelopment	33.4	3.1	-91	Oct 2004	Dec 2010	Oct 2010
Metropolitan Rail Network Vigilance Control and Event Recording System	15.3	7.1	-53	Jun 2008	Dec 2010	Dec 2010

Sources: Department responses to the Committee's Financial and Performance Outcomes Questionnaire - Part Two

The Department of Justice explained that the delay to the Integrated Court Management System was a result of '*supplier delay in developing the required software'*.[108] While the Department has not sought further funding, the additional four months from estimated to forecast completion raises concerns that the project may not be completed to expectations of time and potentially budget. This potential outcome puts the achievement of value-for-money at risk.

The Wodonga Rail Freight and Urban Redevelopment project is forecast to be completed four years later than originally estimated due to delays resulting from '*extensive negotiations'*.[109]

The Committee also notes that the implementation of the Metropolitan Rail Network Vigilance Control and Event Recording System is under cost and timeline pressure.[110]

108 Department of Justice, response to the Committee's Financial and Performance Questionnaire – Part Two, p.7

109 Department of Transport, response to the Committee's Financial and Performance Questionnaire – Part Two, Attached spreadsheet

110 ibid.

Table 5.7: Revised completion dates and reasons for variance of major infrastructure projects

Project	Original completion date	Revised completion date	Forecast completion date	Explanation for variance
Department of Education and Early Childhood Development				
Maryborough Precinct - Precinct Stage 2	Mar-07	Apr-07	Apr-09	The main building contract was completed in April 2007. Issues with the landscaping of the site have been ongoing due to drought conditions. Alternative strategies are being investigated to achieve a sustainable outcome for the school.
Victorian College of the Arts Secondary School (VCASS) – Replacement School	Mar-07	Jun-09	Jun-09	Site issues, including whether the College was to be cohabitated with Commonwealth funded programs (such as the Australian Ballet School), caused delays in project documentation and commencement.
Community Facilities Fund (Various)	Jun-07	Jun-09	Jun-09	A number of projects were delayed in the planning stage and/or while partnership/legal arrangements were being finalised.
Better Schools Today (Various Schools)	Jun-08	Nov-08	Nov-08	85 per cent of the program was complete. The balance was awaiting finalisation of the documentation before sign off could be achieved.
Various Schools - Leading Schools Fund - Modernisation	Jun-08	Feb-09	Feb-09	The Department is awaiting confirmation of milestones by a number of identified schools before finalisation can be achieved.
Broadmeadows Regeneration - Broadmeadows SC and Broadmeadows PS	Feb-09	Mar-09	Mar-09	The contractor has encountered significant rock. This has extended the contract period.
Western Heights Regeneration - Western Heights SC - 3 campuses	Mar-09	Apr-09	Dec-10	Documentation is on hold pending resolution of Joint Use Agreement and land purchase issues with the City of Greater Geelong.
Broadmeadows Regeneration - Erinbank SC and Hillcrest SC	Mar-09	Sep-09	Sep-09	A delay in completing tender documentation slowed proceeding to tender. When received, tenders were substantially over the estimated cost. Protracted negotiations with the preferred tenderer to identify cost savings caused more delays.
Albert Park SC - Replacement School	Apr-09	May-10	May-10	Site contamination issues required investigation and development of a remediation plan. Building works could not start until the contamination level was confirmed.
Department of Human Services				
Hospitals Electronic prescribing	Jun-06	Jun-09	Jun-09	Roll-out of the clinical systems module has caused overall delay to the project (see Health ICT Strategy above).

Table 5.7: Revised completion dates and reasons for variance of major infrastructure projects

Project	Original completion date	Revised completion date	Forecast completion date	Explanation for variance
Kew Residential Services Redevelopment	Nov-06	Jun-08	Jun-09	Construction of all 73 off-site houses completed according to original building schedule. Town planning issues/ heritage overlays relating to remaining 19 on-site houses affected early stage of project, resulting in delay to overall end date. All on-site construction works completed June 2008. Project is now in financial completion/defects liability phase with outstanding invoices to be paid.
Health ICT Strategy	Jun-07	Jun-09	Jun-09	The roll-out schedule of the Clinical System is currently being revised, due to roll-out capacity constraints at several health services impacting on original timeline.
Barwon Health, Geelong Hospital Emergency Department Redevelopment	Mar-08	Mar-09	Mar-09	Latent site conditions, changes to operational requirements and necessary design changes (to future-proof site) in early stages of project resulted in overall delay to project end date. Stage 1 construction works were completed in June 2008 with the facility now fully operational. Stage 2 (comprising minor refurbishment works) is progressing in accordance with the current works program and are on track for completion according to revised schedule.
Caulfield General Medical Centre Logistics Building and Associated Works	Mar-08	Dec-09	Dec-09	Construction of logistics building is now complete, with Minister for Health opening the facility in June 2008. Project end date amended to December 2009 to reflect major planning work to be undertaken as part of the overall redevelopment of the site.
McKellar Centre Aged Care Facility - Grovedale	Jun-08	Oct-08	Completed	Main construction works completed in May 2008 according to schedule, with the facility opened in October 2008. Minor outstanding infrastructure works, identified as part of project finalisation, were completed by October 2008.
Kingston Centre Kitchen Upgrade and Associated Works	Dec-08	Dec-10	Dec-10	Main construction works commenced September 2007 according to schedule. Local residents lodged an appeal with VCAT against the planning permit, delaying the construction schedule. The appeal was dismissed and works have been reprogrammed, with completion of construction now scheduled for late 2009. Detailed planning of overall site redevelopment is also progressing and is targeted to be completed by December 2010.

Table 5.7: Revised completion dates and reasons for variance of major infrastructure projects

Project	Original completion date	Revised completion date	Forecast completion date	Explanation for variance
Rochester Theatre & Hospital Redevelopment	Jul-09	Sep-09	Sep-09	This project involves a complex three stage redevelopment with a consecutive staged building works program. Stage 1 works were delayed due to unforseen site conditions which has affected the overall construction program. Stage 1 works were completed in May 2008. Stage 2 is well advanced and expected to be completed by mid 2009 with the final stage (Stage 3) due for completion in September 2009.
Box Hill Hospital-Outpatients & Dialysis Centre and Associated Works	Jun-09	Mar-10	Mar-10	All construction works (comprising new off-site facility, car park and priority interim works on main site) completed in June 2008, according to original building schedule. Overall project end-date amended to March 2010 to reflect major planning work to be undertaken as part of the overall redevelopment of the site.
North Richmond Community Health Centre	Sep-09	Feb-11	-	Town planning objections raised by local residents are yet to be resolved. This has caused significant delays to the overall project. Forecast completion can only be advised once town planning objections have been finalised.
Nathalia District Hospital and Aged Care Redevelopment	Aug-10	Mar-10	Mar-10	Favourable building conditions allowed early works to be accelerated for initial stages of construction. Project is progressing ahead of original schedule with an expected end-date of March 2010.
Western Hospital (Footscray) Redevelopment Stage 1	Oct-10	Jun-09	Jun-09	Construction works on priority infrastructure upgrades advanced ahead of schedule. Overall project is progressing ahead of schedule with construction expected to be completed by end of June 2009.
Department of Justice				
Organised Crime – Corrections Victoria	Jun-07		Aug-07	Unavailability of specialist security equipment such as walk in security booths, ion scanners and high security transport vehicles resulted in the underspend in 2007-08.
Road Safety Investment – Digital Red Light Cameras	Jun-07		Dec-07	Delays in individual camera installations as a result of user acceptance testing are the drivers for the variance in the original completion date (June 2007) to December 2007.
Melbourne Legal Precinct Master Plan	Jun-08	N/A	Jun-10	The presence of latent asbestos in the Old County Court building and the subsequent re-scoping of works is attributed to the variance in the original completion date of June 2008 to a forecast completion date of June 2010.

Table 5.7: Revised completion dates and reasons for variance of major infrastructure projects

Project	Original completion date	Revised completion date	Forecast completion date	Explanation for variance
Integrated Courts Management System	Sep-09	Aug-10	Dec-10	Variance in the original completion date and forecast completion date is due to supplier delays in developing the required software.
Modernising Coronial Services	Jun-11		Apr-13	Supplementary funding in 2008-09 enabled re-scope of entire project and a revised overall completion date.
Department of Transport				
Wodonga Rail Freight and Urban Redevelopment	Oct-04	Dec-10	Oct-10	Extensive negotiations with the Australian Rail Track Corporation (ARTC) and other parties were required to finalise scope and funding contributions.
Station Pier Safety and Security Upgrade	Jun-06	2009	2009	Procurement of gangways took longer than expected and the need to address asbestos issues.
Corio Independent Goods Line including North Geelong track Modifications	Aug-06	Jan-09	Mar-09	Agreement of project scope with Pacific National took longer than anticipated. Main works completed December 2008.
Linking the Suburbs - Craigieburn Rail Project	end 2006	latter part of 2007	30-Sep-07	Issues contributing to the revised timeframe, included the collapse of M>Train in late 2002 and the refranchising of metropolitan rail services in 2004, affecting scope, design and operating requirements; and higher than anticipated quantities of rock encountered during construction of the trench for the trunk communications.
New Ticketing Solution	2008	2010	2010	Software development issues resulted in revised project timelines.
Vigilance Control and Event Recording System	Jun-08	Dec-10	Dec-10	Several issues contributed to the revised timeframe, including: RTBU withdrawing assistance from VICERS for three months in early 2006; Siemens braking issue diverting technical resources in 2006/07; Integrian acquisition and diversion of resources to US projects, coupled with the company being placed into administration in 2007/08; and unavailability of trains from July to October 2008. Installation, integration and commissioning of X'trapolis and Siemens trains is planned to occur after Comeng trains, to ensure the efficacy of the Faiveley system / resolution of early onset issues and minimise the impact of fleet availability.
Whole of Government Transit Cities - Ballarat Second Station	end 2008	mid 2009	mid 2009	Finalisation of project scope and subsequent commencement of procurement activities took longer than planned.
Mildura Rail Line Upgrade	second half of 2009	Aug-09	Aug-09	
Track Duplication: Clifton Hill to Westgarth	Jun-10	Dec-09	Jun-09	Project accelerated and expected to be completed earlier than planned.

Table 5.7: Revised completion dates and reasons for variance of major infrastructure projects

Project	Original completion date	Revised completion date	Forecast completion date	Explanation for variance
Metropolitan Train Control Reliability Systems Upgrade	Jun-10	Dec-10	Dec-10	
Metropolitan Train Safety Communications System	Dec-10	Dec-11	Dec-11	Award of the main works contract occurred later than planned (December 2008) as negotiations were protracted due to the changing economic environment.
Department of Sustainability and Environment				
Wimmera-Mallee Pipeline Project – Comm'th component - Construction	Jun-15	Jun-10	Jun-10	Forecast date of completion due to acceleration of works.
Wimmera-Mallee Pipeline Project – State component - Construction	Jun-15	Jun-10	Jun-10	Forecast date of completion due to acceleration of works.
Department of Planning and Community Development				
Rectangular Sports Stadium – Construction (Olympic Park)	Mar-08	Dec-09	Dec-09	The completion of works from the main contractor has been adjusted to reflect the revised construction program for an increase in seating capacity.

Sources: Department responses to the Committee's Financial and Performance Outcomes Questionnaire – Part Two

CHAPTER 6: STAFFING

Key Findings of the Committee:

6.1 **In June 2008 the Victorian Public Sector provided employment for 246,844 people (200,134 EFT), an increase of 3.8 per cent from June 2007 (237,815 staff or 194,575 EFT).**

6.2 **Around one third of Victorian public sector employees work in the public health sector (32.7 per cent) while a further 26.4 per cent are employed by government schools. The Victorian Public Service, including the 10 departments and 18 authorities and offices, accounts for only 16.7 per cent of the Victorian public sector workforce. The largest increase in staff numbers, from 2006-07 to 2007-08, occurred in the public health sector, where staff numbers rose by 5.5 per cent.**

6.3 **Departmental staff numbers (including the Department of Parliamentary Services and all school staff) increased from 80,428.7 EFT in June 2007 to 81,594.4 EFT in June 2008, an increased of 1.4 per cent. This compares favourably with the whole of government increase of 3.8 per cent for the same time period. For the same period, departmental staffing costs increased by $308.9 million (5.4 per cent). Given the various pay awards that cover staff included in the staff cost considerations and the marginal increase in EFT staff numbers, an overall increase in staff costs of 5.4 per cent across departments and school staff is not unexpected.**

6.4 **The single biggest increase in staffing costs occurred in the Departments of Education, where salary costs increased by $188 million. The largest percentage increase (72.5 per cent) occurred in the Department of Planning and Community Development and was a result of machinery of government changes in August and November 2007.**

6.5 **Bonus payments were made to 460 executives across the 10 departments, 76.9 per cent of the number of eligible executives. Total bonus payments amounted to $5.6 million at an average of $12,174 per executive.**

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

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

6.7 **The Committee reiterates its concern that the performance bonus and management scheme, as an appropriate accountability mechanism, does not operate for senior executives in the Parliament while it operates in every other department.**

6.8 **Each department has identified a range of critical workforce needs.**

6.1 Victorian Public Sector Workforce Overview

In June 2008 the Victorian Public Sector provided employment for 246,844 people, an increase of 3.8 per cent from June 2007 (237,815 staff). As many of these staff were employed on a part time basis, a more accurate measure of employment is equivalent full time (EFT) staff numbers. In June 2008 the number of EFT staff in the Victorian public sector was 200,134 EFT, an increase of 2.9 per cent from June 2007 (194,575 EFT).[111]

Table 1.1 indicates the largest increase occurred in the public health sector, which coincidentally is also the largest employer in the Victorian public sector (32.7 per cent of Victorian public sector staff). Significant increases were also identified in the Other category (4.1 per cent), which includes 68 entities including arts agencies, cemetery trusts and regulators, and the Victorian Public Service (2.5 per cent).

Table 6.1: Victorian public sector workforce - Employees by sector

	2008 Staff	2007 Staff	% change
Victorian public service	33,422	32,598	2.5%
Government schools	52,881	52,430	0.9%
TAFE and other education	11,247	11,247	0.0%
Public health	65,432	62,047	5.5%
Police and emergency services	17,982	17,665	1.8%
Water and land management	6,836	6,744	1.4%
Other	12,334	11,844	4.1%
Total	**200,134**	**194,575**	

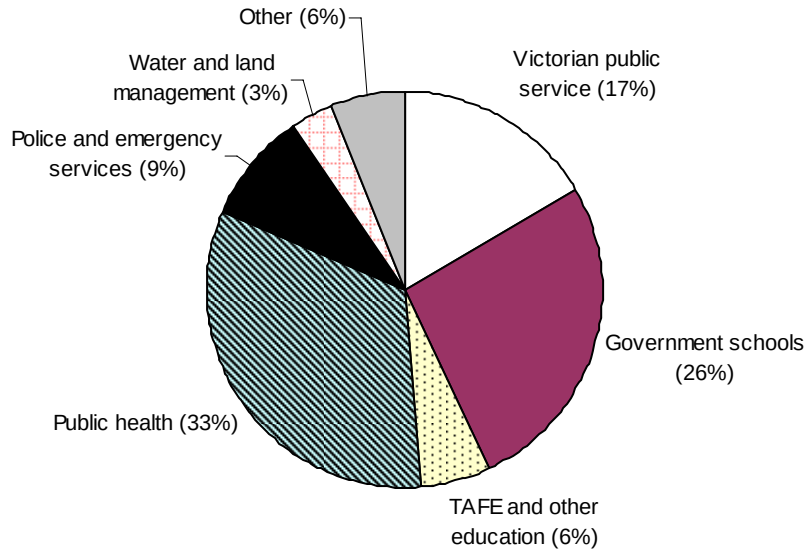
Sources: *State Services Authority,* The State of the Public Sector in Victoria 2008, *February 2009, pp.14-15*
State Services Authority, The State of the Public Sector in Victoria 2007, *February 2008, pp.14-15*

Around one third of Victorian public sector employees work in the public health sector (32.7 per cent) while a further 26.4 per cent are employed by government schools. The Victorian Public Service (the bureaucracy) accounts for 16.7 per cent of the Victorian public sector workforce. The Victorian Public Service includes the 10 departments and 18 authorities and offices including the Essential Services Commission, Victorian Auditor-Generals Office and the Environment Protection Authority among others.[112] Figure 1.2 shows the distribution of employees across the major sectors of government.

111 State Services Authority, *The State of the Public Sector in Victoria 2007-08*, February 2009, pp.14-15 and State Services Authority, *The State of the Public Sector in Victoria 2006-07*, February 2008, pp.14-15

112 ibid., pp.14, .37

Figure 6.2: Victorian public sector workforce - Employees by sector



Source: State Services Authority, The State of the Public Sector in Victoria 2008, February 2009, pp.14-15

6.2 Salary Costs and Performance Bonuses

The Committee sought details from departments and selected agencies on their equivalent full time (EFT) numbers at 30 June 2008 and staffing costs for the categories of ongoing, fixed term and casual staff for 2007-08 and 2006-07.

6.2.1 Staff numbers and salary costs in departments

Departmental staff numbers (including the Department of Parliamentary Services and all school staff) increased from 80,428.7 EFT in June 2007 to 81,594.4 EFT in June 2008, an increase of 1.4 per cent. This compares favourably with the whole of government increase of 3.8 per cent for the same time period. For the same period, departmental staffing costs increased by $308.9 million (5.4 per cent).

The single biggest increase in staffing costs occurred in the Departments of Education, where salary costs increased by $188 million, however, the data included all school staff across the state, with the result that the increase of 4.9 per cent was actually lower than the average across all departments. In recent years, data gathering techniques in this area have improved dramatically and the Committee has been furnished with more detailed and complete data sets from most departments. However, the Department of Education and Early Childhood Services has only provided indicative data, which does not segregate school staff from departmental staff. In future years, the Committee looks forward to receiving more accurate segregated data.

Recommendation 9: **The Department of Education and Early Childhood Development examine appropriate means to provide the Committee with more accurate and detailed staff cost information in future years.**

The largest percentage increase occurred in the Department of Planning and Community Development, where a substantial increase of 72.5 per cent was evidenced as a result of machinery of government changes in August and November 2007 including:[113]

- employment Programs moving from the Department of Victorian Communities to the Department of Innovation, Industry and Regional Development with the remainder of the Department's staff transferring to the Department of Planning and Community Development;
- the Office of Planning & Urban Design moving from the Department of Sustainability and Environment to the Department of Planning and Community Development;
- Heritage Victoria transferring from the Department of Sustainability and Environment to the Department of Planning and Community Development;
- The Building and Housing Affordability Unit moving from the Department of Sustainability and Environment to the Department of Planning and Community Development;
- the Transit Cities Unit transferring from Department of Transport to the Department of Planning and Community Development; and
- responsibility for Victoria Online, Information Victoria and the Service Victoria initiative staff transferred from the Department of Planning and Community Development to the Department of Innovation, Industry and Regional Development.

As a further consequence of these machinery of government changes, staff costs in the Department of Innovation, Industry and Regional Development rose by 19.4 per cent and fell by 11.6 per cent in the Department of Sustainability and Environment.

Given the various pay awards that cover staff included in the staff cost considerations (for example, the VPS agreement included a 3.5 per cent increase in October 2007) and the marginal increase in EFT staff numbers, an overall increase in staff costs of around 5.4 per cent across departments and school staff is to be expected.

Table 6.1 details the staff numbers and costs for each department.

[113] Department of Planning and Community Development, Department response to Financial and Performance Outcomes Questionnaire Part One.

Table 6.3: Staff numbers and staff costs in departments

Department	Staff numbers at 30-Jun-08 (EFT)	Staff numbers at 30-Jun-07 (EFT)	Variation in Staff Numbers (EFT)	Staffing costs for 2007-08 ($ million)	Staffing costs for 2006-07 ($ million)	Variation in staffing costs (%)
Education, including schools (a)	54,021.3	52,903.4	1,117.90	4,012.0	3,824.0	4.9
Human Services, excluding public hospitals	11,122.0	11,515.0	-393.00	852.0	809.2	5.3
Innovation, Industry, and Regional	944.3	915.0	29.30	62.1	52.0	19.4
Justice, excluding Victoria Police (c)	6,827.7	6433.1	394.60	469.1	420.2	11.6
Planning and Community Development(d)	958.4	685.0	273.40	86.6	50.2(g)	72.5
Premier and Cabinet	361.0	335.3	25.70	33.2	32.0	3.8
Primary Industries	2,574.6	2,667.9	-93.30	154.4	150.0	2.9
Sustainability and Environment (e)	2,602.0	2,834.0	-232.00	221.7	250.8	-11.6
Transport	1,106.7	1,110.6	-3.90	83.4	84.7	-1.5
Treasury and Finance (f)	589.6	597.1	-7.50	61.6	56.4	9.2
Sub-total	**81,107.6**	**79,996.4**	**1,111.20**	**6,036.2**	**5,729.5**	**5.4**
Parliamentary departments(h)	486.8	432.3	54.50	46.7	44.4	5.2
Total	**81,594.4**	**80,428.7**	**1,165.70**	**6,082.8**	**5,773.9**	**5.4**

Notes: *(a) The Department of Education advised that it 'does not maintain records in a manner that would enable accurate calculation of the figures required' and that the figures submitted to the Committee are 'indicative not actual'.*

(b) The increase in DIIRD staffing levels, including vacancies, from 915.0 (EFT) to 994.3 (EFT) in the 2007-08 financial year was the result of machinery of Government changes: 32.57 (EFT) from Workforce Participation and 39.21 (EFT) from Citizen Access & Transformation staff transferred to DIIRD.

(c) The Department of Justice advised that it's 'current human resources system is not designed to provide a precise breakdown of these figures' and that the figures submitted to the Committee provide 'an approximate breakdown of the total'. Improved reporting means that the data presented in this table is no longer comparable with that presented in the 2006-07 Outcomes report.

(d) The significant growth in staffing numbers at DPCD was a result of machinery of government changes in August 2007 and November 2007.

(e) For a detailed explanation for the variation between the staffing cost for the Department of Sustainability and Environment reported in the 2006-07 and the 2007-08 Outcomes reports, see note u on page 103 of the Department's 2007-08 annual report.

(f) Figures for the Department of Treasury and Finance do not include the State Revenue Offices, Essential Services Commission or the Shared Services Centre.

(g) 2007-08 figures include the following on costs: Superannuation, payroll tax, WorkCover premiums and long service liability. 2006-07 figures do not include on costs.

(h) The staff costs figure reported in the Report on the 2006-07 Financial and Performance Outcomes for 2006-07 was based on an estimate provided by the Department of Parliamentary Services. A more accurate, figure was provided for use in the Report on the 2007-08 Financial and Performance Outcomes.

Sources: *Department responses to the Public Accounts and Estimates Committee Financial and Performance Outcomes Questionnaire Part One.*

6.2.2 Staff numbers and salary costs in selected agencies

In line with the approach adopted by the Committee in its *Report on the 2006-07 Financial and Performance Outcomes*, the Committee gathered information on staffing numbers and costs beyond departments to encompass a selection of agencies. These agencies are those considered to have a significant financial and community impact.

As of 30 June 2008, 93,799.5 EFT staff were employed across the 20 selected agencies, an increase of 2439.4 (2.7 per cent) since 30 June 2007. The majority of staff, 73.5 per cent, were employed in public hospitals with a further 14.7 per cent employed by Victoria Police. Together they accounted for 88.2 per cent of EFT staff employed across the selected agencies. Three other agencies employed over 1,000 staff, namely:

- Road Corporation (2,775 EFT staff);
- Metropolitan Fire and Emergency Services Board (1,967.5 EFT staff); and
- Victorian Work Cover Authority (1,046.2 EFT staff).

The bulk of the staff increases among this group occurred in the public hospitals, where staffing levels increased by 2,071 staff. Elsewhere, staffing levels remained relatively stable.

The total staff costs for the selected agencies in 2007-08 was $7 billion, an increase of 8.4 per cent over the 2006-07 figure with the majority of this accounted for by the public hospitals ($5,095.5 billion). Staff costs per EFT varied significantly. Goulburn Murray Water had the lowest average staff cost at $66,333 per EFT, while seven other agencies (Public Hospitals, Victoria Police, Barwon Regional Water Authority, Parks Victoria, Rural Finance Corporation, South East Water and Yarra Valley Water) recorded average costs under $80,000. Four agencies recorded costs in excess of $100,000:

- Port of Melbourne Corporation ($135,681.2 per EFT staff);
- Treasury Corporation of Victoria ($122,449 per EFT staff);
- Victorian Managed Insurance Authority ($109,211.8 per EFT staff); and
- Victorian Funds Management Corporation ($177,469.1 per EFT).

The Victorian Funds Management Corporation also recorded the largest percentage increase in staff numbers (51.4 per cent).

Table 6.4: Staff numbers and staff costs in selected agencies

Agency	Staff numbers at 30-Jun-08 (EFT)	Staff numbers at 30-Jun-07 (EFT)	Staffing costs for 2007-08 ($ million)	Staffing costs for 2006-07 ($ million)	Variation in staffing costs between 2006-07 and 2007-08 (%)	Average staff costs ($,000)
Public hospitals	68,899.0	66,828.0	5,095.5	4,712.2	8.1	74.0
Port of Melbourne Corporation	173.2	176.0	23.5	21.9	7.3	135.7
Roads Corporation	2,775.0	2,707.6	243.7	224.2	8.7	87.8
Victorian Rail Track	159.8	145.0	15.2	12.4	22.6	95.1
Southern Cross Station Authority	30.0	32.0	2.7	3.4	-20.6	90.0
Victoria Police	13,815.4	13,695.4	981.4	902.6	8.7	71.0
Metropolitan Fire and Emergency Services Board	1,967.5	1,944.5	158.3	152.5	3.8	80.5
Barwon Region Water Authority	357.1	320.1	25.1	23.2	8.2	70.3
Goulburn Murray Regional Water Authority	659.9	632.0	41.8	39.0	7.2	63.3
Melbourne Water Corporation	708.2	645.0	60.9	50.5	20.6	86.0
Parks Victoria	971.9	1,155.0	69.5	75.5	-7.9	71.5
City West Water Limited	256.9	262.9	22.7	19.7	15.2	88.4
Rural Finance Corporation	95.2	105.0	7.1	6.2	14.5	74.6
South East Water Limited	455.6	403.8	34.6	31.4	10.2	75.9
Transport Accident Commission	794.5	749.0	78.8	64.1	22.9	99.2
Treasury Corporation of Victoria	53.9	50.3	6.6	6.2	6.5	122.4
Victorian Managed Insurance Authority	105.3	91.8	11.5	9.8	17.3	109.2
Victorian Work Cover Authority	1,046.2	947.0	104.3	92.3	13.0	99.7
Victorian Funds Management Corporation	64.8	42.8	11.5	7.8	47.4	177.5
Yarra Valley Water Limited	410.1	426.9	30.1	28.3	6.4	73.4
Total	**93,799.5**	**91,360.1**	**7,024.8**	**6,483.2**	**8.4**	

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

6.2.3 Performance Bonuses in Government Departments

In line with the approach adopted in the *Report on the 2006-07 Financial and Performance Outcomes*, the Committee has continued its interest in, and analysis of, performance bonuses paid to executives within departments and selected government agencies.

Overall, bonus payments were made to 460 executives across the 10 departments, 76.9 per cent of the number of eligible executives. Total bonus payments amounted to $5.6 million at an average of $12,174 per executive.

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

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

In total, 246 *Senior Management* executives were eligible for a performance bonus in 2007-08 and 203 (82.5 per cent) were awarded bonuses. These bonuses came to a total value of $3.3 million with the average bonus paid being $15,600.

The total value of bonuses awarded to *Senior Management* executives in 2007-08 fell by 3.9 per cent from 2006-07, with the biggest decreases identified in the Department of Premier and Cabinet (47.9 per cent) and the Department of Transport (34.8 per cent).

Full details of bonuses paid by each department are available in Table 6.3.

The Department of Human Services awarded performance bonuses to 41 (93 per cent) *Senior Management* executives, with the total value of bonuses paid being $607,300. The Department of Human Services has the largest group of *Senior Management* executives (44 executives), awarded bonuses to the highest percentage of executives, and awarded the highest value of bonuses of all departments. However, the average bonus paid by the department ($14,800) was $800 lower than average bonus paid across all departments.

The Department of Justice awarded bonuses to 91.7 per cent of eligible *Senior Management* executives in 2007-08, this is an increase of 28.4 per cent over 2006-07, and the largest of any department.

The lowest average bonus paid to *Senior Management* executives was $12,000, awarded by the Department of Transport. It is also worth noting that while the Department of Transport had the second highest number of *Senior Management* executives (thirty four), its total payments were only the fifth highest of all departments.

The Department of Innovation, Industry and Regional Development and the Department of Planning and Community Development only paid bonuses to 66.7 per cent of *Senior Management* executives, the lowest of all departments. However, there was a substantial difference in the average bonus paid by these two departments. While the Department of Innovation, Industry and Regional Development was among the lowest average payments ($14,800), the Department of Planning and Community Development had the second highest average payment of any department.

The Department of Sustainability and Environment increased payments to *Senior Management* executives in all indicators from 2006-07 to 2007-08, as follows:

- bonuses were awarded to 89.5 per cent of executives, an increase of 14.4 per cent from 2006-07;
- the average bonus awarded increased by 35.8 per cent from $10,600 to $14,400; and
- the total value of bonuses awarded rose by 64.6 per cent from $148,900 to $245,100.

Departments hold discretionary powers to award bonuses to executive staff which naturally will lead to variations in awards from one year to the next. However, this would not naturally explain situations were trends become evident across a number of measures, such as seen with the Department of Sustainability and Environment.

The Committee strongly endorses the publication of the executive bonus data that enables such trends to be identified, and the resultant accountability of departments to Parliament and the public. The Committee believes that good executive bonus data should include as a minimum, three years of data showing:

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

Recommendation 10: **The Department of Treasury and Finance consider amending the financial reporting disclosure requirements for government departments in regard to annual performance bonuses paid to executives to include a minimum of three years of data showing the number of executives eligible for a performance bonus, the number of executives awarded a performance bonus, and the total value of executive performance bonuses paid.**

Other Executives (includes EO3 and other executives)

In total, 352 *Other Executives* were eligible for a performance bonus in 2007-08 and 257 (73 per cent) were awarded bonuses. These bonuses came to a total value of $2.4 million with the average bonus paid being $9,500. Full details of bonuses paid by each department are available in Table 6.3.

While the overall changes to *Other Executives* salaries in 2007-08 were much less significant than seen with the *Senior Management* executives, some of the individual changes are worth noting:

- the Department of Planning and Community Development increased its overall bonus payment by 59.1 per cent, from $102,800 to $163,600. In doing so, it also increased its average award from $7,900 to $9,100;
- the Department of Education and Early Childhood Development decreased its overall bonus payment by 22.5 per cent, from $204,700 to 158,700; and
- the Department of Justice, only made bonus payments to 69 per cent of eligible Other Executives, a decrease of 12.2 per cent.

The Department of Human Services had, by some margin, the highest number of eligible *Other Executives* (seventy one). However, bonuses were only awarded to 66 per cent of staff by the Department, the second lowest of all departments, with an average award of $9,300.

The Department of Premier and Cabinet made payments to 94.1 per cent of eligible executives, with an average award of $9,400. The highest average award was $11,900, by the Department of Treasury and Finance, while the lowest average award was from the Department of Sustainability and Environment, where executives were awarded an average of $6,000.

Table 6.5: Departmental Performance Bonuses 2007-08

Department	Number eligible 2007-08	Number awarded 2007-08	Bonus awarded 2007-08 (%)	Bonus awarded 2006-07 (%)	Total 2007-08 ($,000)	Total 2006-07 ($,000)	Average 2007-08 ($,000)	Average 2006-07 ($,000)
Secretary or CEO, EO1 – Deputy and EO2								
Education and Early Childhood Development	38	32	84.2	86.1	472.5	481.9	14.8	15.5
Human Services	44	41	93.2	84.4	607.3	599.5	14.8	15.8
Innovation Industry and Regional Development	18	12	66.7	79.0	177.5	175.6	14.8	11.7
Justice	24	22	91.7	71.4	352.7	297.6	16.0	14.9
Planning and Community Development	15	10	66.7	76.9	195.6	161.8	19.6	16.2
Premier and Cabinet	17	14	82.4	100.0	226.2	434.1	16.2	18.9
Primary Industries	12	9	75.0	80.0	178.6	154.9	19.8	19.4
Sustainability and Environment	19	17	89.5	77.8	245.1	148.9	14.4	10.6
Transport	34	25	73.5	83.3	300.0	460.0	12.0	18.4
Treasury and Finance (a)	25	21	84.0	76.0	407.1	375.7	19.4	19.8
Total (* Average)	**246**	**203**	**82.5***	**81.5***	**3162.6**	**3290.0**	**15.6***	**16.2***
Other Executives								
Education and Early Childhood Development	25	16	64.0	66.7	158.7	204.7	9.9	11.4
Human Services	71	47	66.2	73.6	436.3	480.9	9.3	9.1
Innovation Industry and Regional Development	40	32	80.0	72.2	231.7	239.3	7.2	9.2
Justice	42	29	69.0	78.6	303.1	331.0	10.5	10.0
Planning and Community Development	22	18	81.8	76.5	163.6	102.8	9.1	7.9
Premier and Cabinet	17	16	94.1	100.0	150.3	146.8	9.4	9.2
Primary Industries	16	12	75.0	80.0	137.6	145.2	11.5	12.1
Sustainability and Environment	27	20	74.0	78.1	120.8	148.5	6.0	5.9
Transport	33	22	66.7	67.6	200.0	230.0	9.1	10.0
Treasury and Finance (a)	59	45	76.3	76.8	534.5	480.9	11.9	11.2
Total (* Average)	**352**	**257**	**73.0***	**77.0***	**2436.6**	**2510.1**	**9.5***	**9.6***

Notes: *(a) figure includes the State Revenue Office*

Source: *Department responses to the Report on the 2007-08 Financial and Performance Outcomes Questionnaire Part One*

6.2.4 Percentage spread of bonuses for departments and selected agencies

Bonuses are generally paid to high performance executive officers. The approach taken differs for executives in the *Public Service* and executives in the broader *Public Sector*.[114]

Executive remuneration policies for *Public Service* executives are established in the *Executive Employment Handbook* prepared by the State Services Authority. Employment policies for *Public Sector* executives are administered by the Government Sector Executive Remuneration Panel (GSERP).[115]

In addition to the 10 departments and two *Public Service* agencies, 18 out of 29 *Public Sector* agencies (62 per cent) questioned, also used the *Executive Employment Handbook* to guide their decision making in regard to executive bonuses. The Committee is encouraged to see such broad reaching acceptance and use of these principles.

The *Executive Employment Handbook* indicates that bonuses are payable only to executives officers whose performance is rated at 3 or 4 in the four-level rating scale established in the handbook. Details of the rating scale are set out in Table 6.4.

Table 6.6: Rating scale for performance related incentive payments made to executives in Government departments

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

Source: Department of Premier and Cabinet, Executive Employment Handbook pp.60-61

The Committee examined the range of bonuses paid by departments in accordance with the *Executive Employment Handbook* policies. Specifically, the Committee looked at whether the actual range of bonuses paid, expressed as a percentage of the executive's remuneration package, was in accordance with the percentage spread of bonus allocations set out in the *Executive Employment Handbook*. The payments were generally in line with the bonus range identified in the handbook, however, four departments, Justice (8.5 per cent), Primary Industries (8.5 per cent), Sustainability and Environment (9 per cent) and Treasury and Finance (9 per cent), made awards above the range to superior category executives. Table 6.5 shows the results of this analysis.

The Committee reiterates its concern that the performance bonus and management scheme, as an appropriate accountability mechanism, does not operate for senior executives in the Parliament while it operates in every other department.

[114] For a description of the Victorian Public Service and the Victorian Public Sector, see section 7.1

[115] State Services Authority, *Victorian Public Service Executive Employment Handbook*, p.38

Table 6.7: Bonus range paid to executives for the 2007-08 performance assessment period

Department/agency	Superior category bonus range of remuneration package		Exceptional category bonus range of remuneration package	
	(%)		(%)	
	Minimum	Maximum	Minimum	Maximum
Education and Early Childhood Development	0	7.25	10	14
Human Services	1	8	9	11
Transport	2	8	9	13
Innovation, Industry and Regional Development	2	8	9	9
Justice	5	8.5	9	10
Premier and Cabinet	4	8	12	14
Primary Industries	4.5	8.5	9.5	10.5
Sustainability and Environment	2.5	9	11	15
Treasury and Finance	5	9	12	17
Planning and Community Development	3	8	9	12

Source: Department responses to the Report on the 2007-08 Financial and Performance Outcomes Questionnaire Part One

6.3 Critical Workforce Shortages

In the *State of the Public Sector in Victoria 2006-70*, the State Services Authority identified six key workforce sections where they had identified critical workforce shortages:[116]

- health and aged care;
- infrastructure and project management;
- TAFE;
- water services;
- information and communication technology skills; and
- scientific skills.

The State Services Authority indicated that the challenges facing public sector agencies are not uniform across the sector and as a result, many public sector agencies were developing sophisticated workforce planning strategies to try to address these challenges.

The Committee asked departments to outline their workforce situation and identify any critical workforce needs. The Department of Premier and Cabinet and the Department of Treasury and Finance advised the Committee that they did not have any specific critical workforce shortages.

Actions taken to address workforce shortages included:

- supplementing business needs through increased use of contract staff;
- development of skills specific training programs to develop staff;
- developing a workforce strategy that would identify the risk involved with staff shortages and how they will affect service delivery to the community; and
- international talent searching.

[116] State Services Authority, *State of the Public Sector in Victoria 2006-70*, January 2008, p.62

6.3.1 Department of Education and Early Childhood Development

The Department of Education and Early Childhood Development identified critical workforce shortages in regard to teaching staff and student support services officers. These shortages were determined to be of medium impact. Specific shortages and actions to address these shortages are identified in Table 6.8.

Table 6.8: Critical workforce shortages

Critical Workforce Area	**Actions taken to address shortages.**
Teaching Staff	
Special Education Mathematics Science Technology Physical Education Languages Other Than English	The Department has a suite of workforce recruitment initiatives and promotion activities. These initiatives have contributed to a decrease in the proportion of difficult to fill vacancies as a percentage of all vacancies advertised from 19 per cent in 2001 to 8.8 per cent in 2007.
Student Support Services Officers	
Speech Pathologists Nurses Psychologists Occupational Therapists Physiotherapists Social Workers	The Department has a suite of workforce recruitment initiatives and promotion activities. The Department currently has an active Workforce Planning and Development working party to address issues in this workforce sector to develop policies and initiatives to address identified issues.

Source: Departmental responses to the Report on the 2007-08 Financial and Performance Outcomes Questionnaire Part One, p.7

6.3.2 Department of Human Services

The Department of Human Services advised the Committee that it *'employs a broad range of strategies to meet the workforce challenges it faces into the future'* and that it *'identifies areas of workforce shortage via planning models'*. Specific shortages and actions to address these shortages are identified in Table 6.9.

Table 6.9: Critical workforce shortages

Critical Workforce Area and actions taken to address shortages.
Medical specialist categories
Not all medical specialist categories are in critical undersupply. The department identifies areas of workforce shortage via planning models. The department does not employ GPs and medical specialists directly, but supports health services to recruit, retain and train personnel in areas of workforce shortage, via such programs as SMST, ESTP and Advanced Procedural Skills Training for GPs
Nursing staff
As part of these workforce planning activities to ensure that critical workforce needs are met, the Victorian Nurse Recruitment and Retention program has resulted in a net increase of 8,827 EFT of registered nurses in public health services since 1999.
IT and business analysts
In 2007-08, market shortages in IT and business analysis roles led to difficulty in attracting and retaining specialist IT and business analyst staff at VPS rates. As a consequence of this, the department has supplemented its business needs in these areas through increased use of contract staffing.
Skilled professionals including, project managers, designers and engineers
The department relies on both in-house staff and consultant/contract resources to deliver its capital program. In the first half of 2008, there was a noticeable shortage of appropriately skilled personnel in relevant technical areas, such as project management, design and engineering. Declining economic conditions have seen a reversal of this situation in 2008-09 with many non-Government sources of work, particularly in the commercial sector, being placed on hold or cancelled. It is forecast that this situation will continue for most of 2009, particularly as both state and federal governments consider economic stimulus packages which may result in increasing construction activity in the Government sector. The department's housing program does not directly employ staff in these categories (Infrastructure project management), usually accessing these skills through technical consultancies or contractors employed to construct its various projects. The effect of shortages of these skills, when experienced result in increases in tendered contract prices rather than inability to access skills. Government economic stimulus packages may result in better pricing in the Government sector projects.
Health Sciences
The SSA term, health sciences, is very broad and covers a wide range of public health activity which could encompass pathology laboratory workforce, research, epidemiology, but could also include dieticians, podiatrist, and physiotherapists. Generally, the technical scientific areas do not compete well with private sector pay scales and conditions within the environmental health sector and this situation may be exacerbated in the future. The department actively supports scholarship programs and provides funding and other assistance through university connections and schemes such as the Victorian Public Health Training Scheme, that play an integral part in helping build public health knowledge, however a shortage of public health physicians in particular has impacted, and continues to have an impact on Victoria's ability to maintain and promote a system of world class public health. The department is working jointly on a National Environmental Health Workforce Strategy that seeks in part to address limitations on training opportunities, both in universities and the public sector, and remuneration below that paid in the private sector which are key factors in offsetting an ageing workforce and retaining new recruits. Private sector competition issues faced by the health sciences workforce cross all levels of government and affect a variety of workforce areas including public health physicians, environmental health officers, health physics, toxicology and environmental health engineering.

Source: Departmental responses to the Report on the 2007-08 Financial and Performance Outcomes Questionnaire Part One, pp.37-38

6.3.3 Department of Innovation, Industry and Regional Development

The Department of Innovation, Industry and Regional Development identified a need to develop workforce capabilities in several generic areas, also noting that the *'Major Projects Division…has traditionally experienced retention issues with its senior project managers due to more attractive remuneration packages offered by the private sector'*. Specific shortages and actions to address these shortages are identified in Table 6.10.

Table 6.10: Critical workforce shortages

Critical Workforce Area	Actions taken to address shortages
Project/program management	The Department's annual Learning & Development calendar includes training courses on project management as well as policy development. These courses are regularly marketed to all staff and are generally well attended. In addition, opportunities for staff to seek career development opportunities such as internal assignments, secondments to other organisations and formal studies are encouraged and supported.
High level policy development and analysis	
Information technology (particularly web design)	
Senior managers (Major Projects Division)	The Department is currently assessing options to promote the retention of senior project managers within the Major Projects Division.
Emerging science	The Department has sought to enhance its capabilities in the emerging science disciplines through short-term placement of personnel from external scientific institutions and organisations.

Source: Departmental responses to the Report on the 2007-08 Financial and Performance Outcomes Questionnaire Part One, p.15

6.3.4 Department of Justice

The Department of Justice advised the Committee that it faces general challenges in attracting suitable candidates for vacancies including within the Infrastructure Project Management and ICT categories. Specific shortages and actions to address these shortages are identified in Table 6.11.

Table 6.11: Critical workforce shortages

Critical Workforce Area	Actions taken to address shortages
Infrastructure project Management	Two business units that rely heavily on Infrastructure Project Management and ICT skills are involved in the Future Directions for Talent Planning pilot program. This program aims to help identify the specific risks and implement approaches to reduce them both at a business unit level and for individual employees. In addition, the development and implementation of the DOJ Recruitment Strategy is working to address the issues surrounding attraction and retention.
Information and Communications Technology	

Source: Departmental responses to the Report on the 2007-08 Financial and Performance Outcomes Questionnaire Part One, p.16

6.3.5 Department of Planning and Community Development

The Department of Planning and Community Development identified critical workforce shortages in regard to infrastructure project management and scientific skills. Specific shortages and actions to address these shortages are identified in Table 6.12.

Table 6.12: Critical workforce shortages

Critical Workforce Area	Actions taken to address shortages
Infrastructure project management	The Department of Planning and Community Development, along with many other state and local government agencies, has experienced skill shortages in the areas of planning and project management. Skills shortages relating to planners in particular are heightened in rural and regional Victoria. In response, the Department has worked with the VPS Graduate Program to employ two specialist planning graduates, one of which is based in regional Victoria. The Department has collaborated and built partnerships with universities such as RMIT to implement shorter term work placements for planning students to provide workplace experience for the students and to promote the Department as an employer of choice. The Department also manages the PLANET professional development program, which focuses on making skills-based learning available to all users of Victoria's planning system. During 2007-08, PLANET delivered 70 training sessions to more than 1,550 participants in both metropolitan and regional areas. The Department is currently developing a Workforce Strategy that will identify the risk involved with staff shortages and how they will affect service delivery to the community. When completed, the Department will implement strategies to mitigate those risks to ensure ongoing excellent organisational performance. The Department of Planning and Community Development is supporting regional planning staff through the development of a team of roving planning experts that assist in all regions, rather than being located in every locality. These activities are relatively new and will be closely monitored to assess the outcomes.
Statutory and strategic planners Infrastructure project managers	
Scientific skills	
Environmental assessors Spatial analysts Demographers Economists.	

Source: Departmental responses to the Report on the 2007-08 Financial and Performance Outcomes Questionnaire Part One, p.10

6.3.6 Department of Primary Industries

The Department of Primary Industries identified critical workforce shortages in regard to petroleum engineering, coal technology, geosciences, geology, 3D modellers, IT project managers, IT system administrators, veterinarians, and agricultural scientists. Specific shortages and actions to address these shortages are identified in Table 6.13.

Table 6.13: Critical workforce shortages

Critical Workforce Area	Actions taken to address shortages.
Petroleum engineering	Talent searching is currently being undertaken internationally to recruit senior scientists to specialist areas within biotechnology occupation fields. There is continued support between DPI and DSE in the provision of a Science Graduate Program, this program is a two year training and development program open to recent graduates of science, agriculture, natural resource management and related professions.
Coal technology	
Geosciences	
3D modellers	
IT project managers	
IT system administrators	
Veterinarians	
Agricultural scientists	

Source: Departmental responses to the Report on the 2007-08 Financial and Performance Outcomes Questionnaire Part One, pp.7-8

6.3.7 Department of Sustainability and Environment

The Department of Sustainability and Environment advised the Committee that it *'employs approximately 2,700 staff from around 80 cities and towns across Victoria in a range of professional, technical, business and operational service delivery functions'* and observed that workforce profiles are used to support local workforce planning strategies. The Department identified challenges in regard to in regard to:

- recruiting and retaining key staff in specialist professional occupational groups (i.e. Water);
- rural and regional Victoria; and
- competing for graduates in a competitive market.

Specific shortages and actions to address these shortages are identified in Table 6.14.

Table 6.14: Critical workforce shortages

Critical Workforce Area	Actions taken to address shortages.
Specialist occupational groups Rural and Regional Staff Graduates	The Department has adopted and enhanced a range of key workforce strategies, including: • the development of a 5-year learning & development model to encourage and retain graduates in a challenging market; • continued application of the successful science cadetship program which sources 4-6 science graduates each year and supports them through university to paid employment in the Department; • introduction of a number of leadership management programs designed to increase the capability our current and future managers; • review of all HR policies to provide a more flexible range of employment and remuneration arrangements to improve our capacity to recruit and retain staff; and • implementation of targeted recruitment for specialist staff and implementation of staff exchange programs to promote, improve people capability and service delivery.

Source: Departmental responses to the Report on the 2007-08 Financial and Performance Outcomes Questionnaire Part One, p.7

6.3.8 Department of Transport

The Department of Transport identified a range of critical workforce shortages that relate to transport project development and delivery and in the related disciplines needed to support infrastructure project delivery including town planners, surveyors and environmentalists. Specific shortages and actions to address these shortages are identified in Table 6.15.

Table 6.15: Critical workforce shortages

Critical Workforce Area	Actions taken to address shortages.
Infrastructure Project Managers Engineers (esp. civil and railway signalling) Project Planners and Schedulers Procurement, Commercial and Contract Specialists Relationship and Stakeholder Managers Communications Specialists Transport Planners (Integrated) Transport Design and Development Specialists Town Planners Surveyors Environmentalists	The Department of Transport (DOT) has undertaken a range of strategies to improve attraction and recruitment. These include: • The introduction of new employment branding, enhanced job advertisements and tag lines as well as active marketing and promotion of employment opportunities in newsprint and industry journals and other print media. • Building internal management capability in recruitment and selection by implementing new streamlined processes and guidelines. • Undertaking several marketing and promotional activities such as: - Marketing DOT jobs at Careers Fairs within Australia and overseas - Sponsorship in the Engineers Australia – Engineering Week - Sponsorship at Monash University final year Engineering Exhibition. - Actively participating in targeted employment programs such as the Graduate Recruitment Scheme and the Youth Employment Scheme - Working with the State Services Authority in a market segmentation branding project, targeting infrastructure project managers and engineers. - Enhancing the intranet and internet sites, streamlining the application process, providing information about the department and introducing a user friendly job application process.

Source: Departmental responses to the Report on the 2007-08 Financial and Performance Outcomes Questionnaire Part One, p.13

6.3.9 Department of Treasury and Finance

The Department of Treasury and Finance advised the Committee that its workforce situation is stable and that it '*does not employ many people in the critical workforce shortages categories*'. The Department identified specialist policy advice as an area of high competition.

CHAPTER 7: PROCUREMENT

Key Findings of the Committee:

7.1 **The Victorian Government Purchasing Board (VGPB) produces a Procurement Process Guide to assist departments and agencies to ensure probity in procurement activities. The policies and practices of the VGPB apply to all government departments and one agency, Victoria Police.**

7.2 **During 2007-08 procurement contracts were subject to a tender threshold of $102,500 over which departments are required to advertise for tenders for the supply of goods and services. This threshold is designed to ensure probity in the awarding of government contracts.**

7.3 **The Auditor-General considers achieving value-for-money while maintaining process integrity as the ultimate goal in public sector procurement and that value-for-money is a combination of five factors: cost, timeliness, quality of service, risk management and accountability frameworks.**

7.4 **Cost is an important factor in achieving value-for-money in procurement contracts. Cost serves as a guiding measure of the progress of a contract towards its objective. As such, it is important to start a procurement process with a detailed, evidenced based, cost estimate. Departmental responses indicated that actual costs for 11 non-IT contracts (25.6 per cent) and 12 IT contracts (27.9 per cent) of a total of 43 contracts examined by the Committee came in under budget.**

7.5 **Project timing is a key determinant in developing tendering or quoting for a government procurement contract. The Auditor-General has observed that IT contracts are particularly susceptible to timing delays and recommended the application of project milestones to maintain timeliness. This was also evident in the Committee's analysis of the timing of government IT contracts.**

7.6 **Departments and agencies reported a consistent approach to risk management of IT procurement contracts and the Committee found that the foundations of robust risk management systems such as steering committees, the appointment of project managers, and the utilisation of management tools were present in both departments and agencies.**

7.1 Introduction

The Committee has decided to include a review of government procurement practices in this year's *Report on the 2007-08 Financial and Performance Outcomes*. The importance of procurement is identified by the Auditor-General in his 2007 guide *Public Sector Procurement: Turning Principles into Practice*. In his foreword the Auditor-General states that:[117]

> *Each year, Victoria's public sector agencies spend billions of dollars on purchasing goods, services and assets. These purchases have an enormous impact on the delivery of programs and services.*

[117] Victorian Auditor-General's Office, *Public sector procurement: Turning Principles into Practice*, 2007, p.i

The procurement process consists of four phases:

- planning;
- implementation;
- monitoring delivery; and
- evaluating the process to identify improvements.

The Committee recognises that this process is not fixed and varies according to the particulars of procurement contracts. Therefore, the Committee sought separate information from government departments and agencies regarding the procurement of Information Technology (IT) and non-IT goods, services and assets, to ensure a representative breadth of procurement practices were captured. The Committee has also addressed probity in procurement contracts below the compulsory tender threshold to ensure the breadth of procurement contracts was reviewed.

Procurement by government departments and agencies is governed by the Victorian Government Purchasing Board (VGPB) and is established under the *Financial Management Act 1994*. The VGPB governs the acquisition, management and disposal of goods and services and includes procurement policy and practices for the advice and monitoring of departmental compliance. Under the *Financial Management Act 1994*, the VGPB is required to produce an Annual Supply Report by 1 August each year detailing the procurement activities of government departments.[118]

7.1.1 Victorian Government Purchasing Board

The Victorian Government Purchasing Board (VGPB) is the government's peak authority for the development of procurement policy and practice. The function of the board is set out in Section 54B of the *Financial Management Act 1994*:[119]

The Board has the following functions-

- *in relation to the supply of goods and services to departments and the management and disposal of goods by departments-*
  - *to develop, implement and review policies and practices; and*
  - *to provide advice, staff training and consultancy services;*
- *to monitor departmental compliance with supply policies and Ministerial directions and to report irregularities to the relevant Minister and the Minister;*
- *to foster improvements in the use and application of purchasing systems and electronic trading;*
- *to establish and maintain a comprehensive data base of purchasing data of departments and supply markets for access by departments; and*
- *any other functions conferred on the Board by this Part.*

118 Victorian Government Purchasing Board, Procurement Policies, 2002, updates January 2009, p.1 and 8

119 *Financial Management Act 1994*, Section 54B

The VGPB produces a Procurement Process Guide to assist departments and agencies to ensure probity in procurement activities. The VGPB website states that the guide is:[120]

> *a step-by-step process for the planning, establishment and contract management of small and large acquisitions. It is suitable for novice and experienced procurement staff.*

The policies and practices of the VGPB apply to all government departments and one agency, Victoria Police. In response to questions from the Committee, every department, except the Department of Primary Industries, made direct reference to the role of VGPB in the development and implementation of departmental procurement policies and practices.

During 2007-08 procurement contracts were subject to a tender threshold of $102,500 over which a department is required to advertise for tenders for the supply of goods and services. This threshold is designed to ensure probity in the awarding of government contracts.

7.1.2 Value-for-money in procurement

The Auditor-General considers achieving value-for-money (VFM) while maintaining process integrity as the ultimate goal in public sector procurement.[121] Achievement of VFM is defined by the Auditor-General as a combination of five factors: cost, timeliness, quality of service, risk management and accountability frameworks. The Committee has divided these factors into two categories for the purpose of reviewing government procurement practices. The categories are:

- cost, timeliness and quality of service; and
- risk management and accountability frameworks.

7.2 Cost, timeliness and quality of service

Cost, timeliness and quality of service are contributing elements to VFM outcomes in procurement contracts. However, these elements have been found to contribute to common deficiencies in the procurement process, including:[122]

- the failure of Departments and agencies to gather sufficient evidence to accurately estimate the budget;
- not considering total cost of ownership at the start of the project leading to critical components being under-funded; and
- not developing timelines or milestones at the time of the funding decision.

The Committee noted that these issues are not unique to Victoria. Internationally, the Organisation for Economic Cooperation and Development (OECD) has found that when implementing large IT procurement projects in both the public and private sectors: [123]

> *budgets are exceeded, deadlines are over-run and often the quality of the new system is far below the standard agreed when the project was undertaken.*

120 Victorian Government Purchasing Board, *Procurement Process Guide* (website) viewed 2 February 2009 <www.vgpb.vic.gov.au/CA256C450016850B/0/4FBAC7BE2075606FCA256C850025DA77?OpenDocument>

121 ibid., p.5

122 Victorian Auditor-General's Office, *Investing Smarter in Public Sector ICT: turning principles in practice*, July 2008, p.19

123 Victorian Auditor-General's Office, *IT Project Management – Best Practice*, February 2003

7.2.1 Cost

Cost is an important factor in achieving value-for-money (VFM) in procurement contracts. Cost serves as a guiding measure of the progress of a contract towards its objective. As such, it is important to start a procurement process with a detailed, evidenced based, cost estimate. A cost estimate will outline the realistic expectation and limitations of a contract and provide a guide against which tenders can be assessed and project costing based. There is a risk, however, that a focus on cost will detract from a balanced view of all VFM factors.

Departmental responses indicated that actual costs for 11 non-IT contracts (25.6 per cent) and 12 IT contracts (27.9 per cent) of a total of 43 contracts examined by the Committee came in under estimate. Agencies reported that 60 out of 79 (76 per cent) procurement contracts meet or came in under budget. In a few contracts significant budget savings of up to 50 per cent were reported.

Five departments: Treasury and Finance, Innovation, Industry and Regional Development, Transport, Planning and Community Development, and Sustainability and Environment all reported at least one IT contract that cost more than the allocated budget. The Department of Justice reported exceeding budget for two IT contracts. The Department of Planning and Community Development was the only department to report a non-IT contract exceeding budget.

In contrast, a small number of contracts produced significant cost savings. The Department of Transport reduced the budget for the Metropolitan Train Control Reliability Systems Upgrade contract from $22 million to $12 million following a 'reassessment of the project schedule and payment milestones to the contractor'.[124] There were also examples of savings in agency contracts such as Barwon Water, where the actual cost of purchasing a Document Management System was approximately half that budgeted, saving the agency $452,695 (46.9 per cent).

The breadth of cost outcomes for contracts indicates that processes used for accurately costing or developing specifications for procurement contracts to within a reasonable margin, may require review. The Committee discusses this further in section 7.2.4 of this report.

7.2.2 Timeliness

Project timing is a key determinant in developing tendering or quoting for a government procurement contract and to subsequently track the progress of contract delivery. The establishment of reasonable timelines helps ensure VFM is achieved through on time delivery of a contract. The Auditor-General has observed that IT contracts are particularly susceptible to timing delays and recommended the application of project milestones to maintain timeliness.

The OECD also observed that some IT procurement contracts run over budget and over time.[125] This was also evident in the Committee's analysis of the timing of government IT contracts. Of 21 IT contracts detailed by departments, one third were delivered later than planned. In comparison, there was only one reported instance of a non-IT project running over time.[126]

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124 Department of Transport, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2008, p.40

125 Victorian Auditor-General's Office, *IT Project Management – Best Practice*, February 2003

126 Department of Planning and Community Development's redevelopment of 136 Gertrude Street, Fitzroy

Various reasons were given for projects running beyond the planned completion time, including staffing and supply issues and changes to government processes. Specific examples include:

- staffing issues;
  - the refreshment of the Department of Education and Early Childhood Development's Notebooks for Teachers and Principals Program was delayed on two occasions by the unplanned departure of the project manager;
  - staff movement and subsequent recruitment delayed the Department of Primary Industries' Gold Undercover – Information Development Projects; and
  - Goulburn Murray Water stated that the Billing and Accounts Receivable Project was delayed due to a turnover of four key consultants during the project.
- development and supply issues; and
  - operational reasons and software development issues resulted in a four month delay to the Department of Planning and Community Development's *eGrants* project.
- changes made to government efficiency processes.
  - re-scheduling of the Catch and Effort Redevelopment Project to align with new standards emerging from 'Efficient Government' has caused delays for this Department of Primary Industries contract.

A straightforward comparison between IT and non-IT contracts is not possible, however, as there is a potential difference between asset and non-asset contracts. For example: the Department of Primary Industries contract for border security patrols of horse movements during the equine influenza outbreak could not be conducted to a timeline because of the unknown quantities and duration of the outbreak.[127] Other departments also provided illustrations of contracts where the services did not have overall deadlines but stated that providers were assessed to have 'generally responded in a timely and responsive manner to all requests'.[128]

While the context of a contract may on occasion make determining accurate timelines difficult, the Committee maintains that setting milestones is fundamental to managing the timeliness of a procurement contract. Milestones act as signals to warn a department or agency if the project is at risk. The Auditor-General's guide to best practice in procurement identifies the importance of milestones in developing a contract management plan and contractor performance assessment criteria of key deliverables or outcomes.[129] The appropriate use of critical path analysis e.g. by way of PERT or GANTT charts in large project management is a necessary discipline.

Only three departments made specific reference to the role of setting and meeting milestones in implementing IT contracts on time: the Department of Innovation, Industry and Regional Development, Department of Transport, and Department of Sustainability and Environment.

Recommendation 11: **Departments detail the milestones used and service delivery achieved as part of reporting of procurement contracts in annual reports.**

127 Department of Primary Industries, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 13 January 2008, p.13

128 Department of Treasury and Finance, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.16

129 Victorian Auditor-General's Office, *Public sector procurement: Turning Principles into Practice*, 2007, p.15, 23

7.2.3 Quality of service

Quality of service correlates closely with cost and timeliness in the delivery of a procurement contract. A contract delivered on budget and on time will not achieve value-for-money if output quality is below an agreed standard of functionality. Quality is measured against the minimum functional requirements of the goods or services being provided. [130] Monitoring of a procurement contract plays a central role in tracking contract quality. Monitoring may include quality assurance sign offs, checking quality before payment is made and keeping records. Where quality of service is not being delivered it is important that a department or agency acts promptly to resolve the matter.

Where service quality fails to meet contract expectations, departments and agencies need to address the failure in order to avoid further deterioration in contract quality. Various approaches are available to help achieve a quality outcome in procurement contracts. For example; compensation for inadequate contract performance can be written into procurement contracts. The Department of Human Services withheld 2.5 per cent of contract payments for its managed services contract, under an agreed incentive scheme for service delivery in accordance with agreed standards of service quality.[131] Preventing quality deteriorating to this point by addressing the issue through specified escalation events or paths are contracted measures identified by the Department of Human Services and Department of Sustainability and Environment. The Department of Justice defined the role of an escalation path as the course for addressing the communication of issues, addressing non-compliance and dispute resolution.[132]

A measure used widely in IT contracts to ensure service quality is technical testing and user response analysis. The specialised nature of IT contracts means that this approach to quality control can be widely applied. Three departments reported its application: Primary Industries, Education and Early Childhood Development, and Sustainability and Environment. The Department of Primary Industries reported that user acceptance testing of an IT software product being delivered identified a significant fault resulting in extensive delays.[133]

The appointment of a contract manager or independent quality reviewer to monitor quality increases the focus on quality of contract delivery. Independent assessment ensures a critical appraisal of service quality. The Department of Transport reported that the Department of Treasury and Finance conducted an independent review of the Metropolitan Train Control Reliability Systems Upgrade and Metropolitan Train Safety Communications System contracts on its behalf.[134] Eastern Health also reported using an independent assessment of service quality during its two largest non-IT procurement contracts.[135]

There are a range of quality assurance methods available to departments and agencies to match the diversity of procurement contracts. The Committee considers the development of suitable measures and monitoring systems to be an important foundation for achieving a quality outcome and contributing to contract value-for-money.

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130 Victorian Auditor-General's Office, Good Practice Guide: *Public sector procurement*, October 2007 - Evaluating the performance of contractors in terms of achieving value for money, p.7

131 Department of Human Services, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 19 January 2009, p.49

132 Department of Justice, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2008, p.30

133 Department of Primary Industries, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 13 January 2009, p.15

134 Department of Transport, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 03 December 2008, p.40

135 Eastern Health, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.14

7.3 Risk management and accountability frameworks

7.3.1 Risk management

The VGPB divides procurement risk into two categories:[136]

- risks related to the procurement process; and
- risks related to procurement contract deliverables.

The scale and complexity of risk identified for a procurement contract should determine the risk management process that is to be applied. The VGPB website states that:[137]

> *All projects embody a degree of risk that can never be completely eliminated. However, risks can be identified and controlled. The management of risks requires containment strategies to mitigate risk and contingency planning to respond to risks that may emerge.*

The VGPB identifies five key aspects of risk management:[138]

- identification;
- assessment;
- mitigation;
- allocation; and
- monitoring and control.

Risk management is considered by the Auditor-General as central to the achievement of value-for-money and is one of seven principles of good procurement practice.[139] The Auditor-General consolidates the final three points as the managing of risk factors and incidents to produce a three point risk management approach.

The level and complexity of monitoring, reporting and documenting of identified risk factors should be determined by the scale and complexity of potential risk identified for a contract. Inadequate monitoring of contractor performance is a 'key risk area' in procurement contracts and the importance of risk management means that it 'should be an integral part of all aspects of procurement'.[140]

Departments and agencies reported a consistent approach to risk management of IT procurement contracts which reflects the specialised nature of IT procurement contracts.

Department risk management plans identified four key elements of risk management:

- reporting mechanisms;
- risk registers;
- project managers; and
- management, oversight and decisions by steering committees.

136 Victorian Government Procurement Group, Department of Treasury and Finance ,Good Practice Guidelines: Conduct of Commercial Engagements in Government, June 2006, p.5

137 Victorian Government Purchasing Board, Risk Management Policies (website), viewed 25 March 2009, <www.vgpb.vic.gov.au/CA256C450016850B/0/6BA3D07EF178E9F9CA256C77002386BD?OpenDocument>

138 ibid.

139 Victorian Auditor-General's Office, *Public sector procurement: Turning Principles into Practice*, 2007, p.3

140 ibid., p.7, 5

The Department of Innovation, Industry and Regional Development and Department of Justice identified the use of Key Performance Indicators (KPIs) in managing contract risks. While, the application of KPIs is helpful in identifying and managing risk, it is outcome based. Risk management needs to also take into account project inputs and processes. The need to oversee the whole procurement process is the role of contract steering committees. Steering committees are a principal means of overseeing a contract and identifying and managing risk.

Nine agencies reported using steering committees in managing risk and the Department of Primary Industries specified that steering committees manage all risks identified as high or significant.

Four departments (Human Services, Innovation, Industry and Regional Development, Primary Industries, and Treasury and Finance) made reference to the process-based program management tool, PRINCE2, which is utilised in risk management. The United Kingdom Office of Government Commerce states that this tool is 'recognised as a world-class international product and is the standard method for project management'.[141]

The Committee's review found that, as a whole, departments and agencies recognise the importance of identifying and managing risk. The Committee found evidence of the foundations of robust risk management systems, such as steering committees and the appointment of project managers and utilisation of management tools in both departments and agencies. However, this foundation alone is not sufficient to manage risk. Successful risk management requires dependable information inputs and competent risk management staff working within a functioning accountability framework.

7.3.2 Accountability framework

Responsibility for the successful delivery of a procurement contract lies with everyone involved in the procurement process, both pre-contract and post-contract. An accountability framework establishes and manages individual responsibilities to ensure that all contract parties understand and fulfil their roles. A sound accountability framework limits gaps in responsibility and therefore limits the potential risk within a contract.

The Committee found that the nature of accountability frameworks applied to procurement contracts varied between departments and agencies and between contracts. Variations in approaches to accountability ranged from internal management of contracts to external contractor responsibility for a contract.

The Department of Innovation, Industry and Regional Development utilised specific manager roles within the department to monitor contractor reporting requirements.[142] In contrast, in an example cited by the Department of Planning and Community Development outsourced office space management to the Department of Treasury and Finance's Government Services Group who in turn outsourced the management to a private contractor.[143] This approach externalises responsibility for management of office space and reduces resourcing, staffing costs and risks for departments and agencies that otherwise may not have the required knowledge or skills to effectively undertake this task.

Western Health stated that the incompetence of the initial project administrator was the most significant risk to the successful completion of the Picture and Archive Communications System contract.[144] Achieving value-for-money from a procurement contract is at risk when accountability frameworks are disrupted or falter. The failure of individual members of an accountability framework was illustrated in Western Health's second largest IT contract.

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141 United Kingdom Office of Government Commerce, PRINCE2 (website), viewed 28 January 2009, <www.ogc.gov.uk/methods_prince_2.asp>

142 Department of Innovation, Industry and Regional Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 24 February 2009, p.19, 21

143 Department of Planning and Community Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 29 January 2009, p.18

144 Western Health, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.12

Management of staff and contractors and their responsibilities is a function of accountability frameworks. The Department of Sustainability and Environment provided an outline of the roles and positions within the Department's accountability framework.[145] An accountability framework integrates the roles and responsibilities of staff with the delivery of a contract. The link between accountability frameworks and measuring contract performance were referred to by all departments and the link between accountability frameworks and risk management was evident within departments and agencies. Two departments explicitly linked accountability frameworks to risk identification and management: the Department of Human Services and Department of Planning and Community Development. This link recognises the interdependency of risk and accountability in ensuring delivery of procurement contracts which achieve value-for-money.

7.3.3 Conclusion

All departments and agencies identified to the Committee that they had adopted a variety of approaches to manage risk and accountability. There was a demonstrated recognition of the importance of these factors in delivering procurement contracts that achieve value-for-money. A range of independent and interdependent approaches for identifying and managing risk and associated accountability frameworks were outlined to the Committee. Within the various approaches, consistent themes emerged, including steering committees, appointing or hiring contract managers, determining the balance between internal and external accountability roles and contract performance monitoring. The diversity of approaches permits the matching of approaches to the specific requirements of a procurement contract. Common practices indicate a whole of government understanding of the importance of risk management and accountability frameworks in procurement contracts.

7.4 Achievement of value for money

As outlined earlier in this chapter, VFM in procurement contracts is achieved through a combination of cost, timeliness, quality of service, risk management and accountability. The Committee asked departments and agencies to assess whether VFM had been achieved in the four procurement contracts reported.

7.4.1 Reported achievement of value-for-money

No departments or agencies reported to the Committee that VFM had not been achieved in relation to any of the procurement contracts reported. However, the Committee found that most departments and agencies varied in their approach to assessing VFM. Differing weights were attributed to the five factors of cost, timeliness, quality of service, risk management and accountability. This disparity limits the accuracy of VFM assessments which in turn limits the potential for a contract to achieve VFM and for constructive lessons to be learnt from contract implementation. To this end, the Government should establish a clear assessment and reporting framework for measuring VFM in procurement contracts including independent review of VFM in government procurement contracts.

Departments stated that VFM was either being, or had been achieved in all contracts reported to the Committee. The only exception was the Department of Sustainability and Environment's Electronic Conveyancing Project in which a formal assessment would not be made until after the completion of the contract. Similarly every agency reviewed indicated that VFM had been achieved, was on track to be achieved or had not been assessed yet. While departments and agencies did not explicitly report non-achievement of VFM the quality of responses was mixed.

[145] Department of Sustainability and Environment, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.12

The Department of Human Services provided a thorough summary:[146]

> *The vaccine provision contract has been designed to ensure that VFM is demonstrated through supply of the required products at the required time and in the required manner, with provisions in place to manage risk in relation to these items, and at the Commonwealth fixed price.*

The Department of Planning and Community Development stated that:[147]

> *When taking into account the combination of quality, risk, performance, timeliness and cost of the eGrants project, it is considered that it represents good VFM. A quality application was delivered which met the performance goals set in the contract and, due to the staged development process, was available to users progressively in a timely manner.*

In contrast the Department of Primary Industries' response lacked detail and was below the standard expected for public reporting to Parliament. It simply stated that: '*VFM was obtained and desired outcomes achieved*'. [148]

In many cases the five factors used to determine VFM were reported in different ways by department and agency assessments of VFM. Examples include:

- Department of Innovation, Industry and Regional Development determined that VFM was in part achieved in its second largest non-IT contract because the objective of increasing levels of commercialisation of Victorian innovations had been achieved;[149]
- Department of Justice identified lower costs as a result of KPIs as a factor in achieving VFM;[150]
- Department of Planning and Community Development stated that unforseen delays and related cost increases did not effect an overall reduction in VFM;[151]
- Department of Primary Industries stated that 'strong governance' is what positions contracts to deliver VFM;[152]
- Department of Human Services managed its vaccine procurement contract so that VFM is achieved through '*supply of the required products at the required time and in the required manner, with provisions in place to manage risk in relation to these items, and at the Commonwealth fixed price*';[153]
- Department of Innovation, Industry and Regional Development's second largest IT contract was negatively affected by five, separate machinery of government changes but the department stated that these were managed so as to minimise negative effects to VFM;[154] and
- Department of Transport stated that extra work that had been carried out to reduce risk aspects of its second largest IT contract.[155]

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146 Department of Human Services, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 19 January 2009, p.48

147 Department of Planning and Community Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 29 January 2009, p.21

148 Department of Primary Industries, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 13 January 2009, p.13

149 Department of Innovation, Industry and Regional Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 24 February 2009, p.22

150 Department of Justice, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2008, p.31

151 Department of Planning and Community Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, 29 January 2009, p.19

152 Department of Primary Industries, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 13 January 2009, p.17

153 Department of Human Services, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 19 January 2009, p.48

154 Department of Innovation, Industry and Regional Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 24 February 2009, p.24-25

While these assessments identify positive outcomes and processes they do not constitute a complete assessment of VFM. Selected focus in evaluations of VFM highlights the need for either increased capacities for assessing VFM within government or the use of independent assessment. The Department of Transport used an 'independently reviewed and verified' evaluation of VFM of contracts to deliver the private operation of metropolitan train and tram services – VFM was assessed to have been achieved.[156] The Committee considers that the robustness of VFM assessments would be strengthened through a continued process of random audits of procurement contracts by the Auditor-General.

7.5 Probity controls in procurement contracts under the tender threshold

Probity is the integrity in which a procurement contract is undertaken and completed. The VGPB has established rigorous requirements for departmental procurement contracts and divides policies into contracts under and over the tender threshold ($102,500 in 2007-08). The VGPB's has produced a guide to strategic procurement which includes two guides for the procurement process, one for contracts under the tender threshold and the other for contracts over the tender threshold. Given that the formal control mechanisms for purchases under the tender threshold are less stringent, the Committee has opted to examine the probity controls in place for procurements contracts in this category.

The Auditor-General has stated that '*probity in procurement relates to the fairness, impartiality and integrity of the process*'.[157] The VGPB adds to this list the following key probity requirements:[158]

- security and confidentiality;
- identification and resolution of conflicts of interest; and
- development of a probity plan.

In August 2008 the Victorian Ombudsman released his report: *Probity controls in public hospitals for the procurement of non-clinical goods and service*. The report focused on the adequacy of the existing regulatory frameworks guiding procurement in public hospitals. The report identified six failures in the regulatory framework examined which undermines VFM. They were:[159]

- favouritism to suppliers and contractors;
- a failure to check contractor work;
- a failure to check contractor skills and qualifications;
- a failure to obtain the best price for supplies and equipment;
- a failure to pay invoices on time; and
- a failure to monitor supplier performance.

The Committee considers that the scope of the Ombudsman's report provides a transferable review framework for analysing probity issues in the procurement of goods, services and assets by government departments and agencies.

155 Department of Transport, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2008, p.41

156 ibid., p.36

157 Auditor-General, *Public Sector Procurement: Turning Principles into Practice*, October 2007, p.3

158 Department of Treasury and Finance, Best Practice Advice: Probity (website) viewed 2 February 2009 <www.vgpb.vic.gov.au/CA256C450016850B/WebObj/Probitybestpracticeadvice/$File/Probity%20best%20practice%20advice.doc>

159 Ombudsman of Victoria, *Probity controls in public hospitals for the procurement of non-clinical goods and services*, August 2008, p.13-24

7.5.1 Departmental practices

With the exception of the Department of Innovation, Industry and Regional Development, which specifically addressed each of the failures identified by the Victorian Ombudsman, departments provided only a general overview of their approaches to ensuring probity in procurement contracts under $102,500.

The following section details the three main probity practices identified by government departments in response to the Committee.

(a) Accredited Purchasing Units

Accredited Purchasing Units are established to review and approve procurement contracts. Departments are required to establish an Accredited Purchasing Units (APU) in order to be accredited with the VGPB.[160] The Committee considers that establishment of Accredited Purchasing Units provides a solid framework for accountability within contracts under the tender threshold. Four departments indicated that an APU is the primary authority for procurement contracts under $102,500:

- Department of Education and Early Childhood Development's APU has developed a *Probity and Disclosure in Purchasing and Contracting* website for all corporate staff. The website includes links to the VGPB probity policy;
- Department of Human Services has a similar intranet website, *Purchasing and Funding eGuide*, which also links to the VGPB;
- Department of Justice stated that their APU provides procurement advice to staff that complies with VGPB policies and procedures. The department listed guidelines and forms etc. for procurement contracts amongst the content of its APU intranet site;[161] and
- Department of Planning and Community Development stated that its procurement polices were consistent with VGPB and authorises financial delegates to approve contracts up to $100,001, while contracts over this amount require APU authority.[162]

(b) Monitoring and Internal Auditing

The practice of monitoring procurement contract delivery and conducting internal audits is important in ensuring the quality of contracts and minimisation of risks. Section 3.2 of the VGPB Practitioners' Guide to Non-SPC Procurement details the requirements for monitoring contract performance. Contracts greater than $2,000 require monitoring by a contract manager.[163] Five departments included monitoring and internal auditing as aspects of their probity practices. The Department of Justice identified that its Audit and Risk Management Committee *'at times may address issues of VFM and contract management'*.[164] The Department of Planning and Community Development identified an explicit role for internal auditors in the provision of probity control for the department.[165] The Department of Primary Industries stated that its monitoring extended beyond procurement contracts to non-contract payments such as utility bills which are not subjected to the standard VFM processes.[166]

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160 Victorian Government Purchasing Board, *Accreditation of Departments by the VGPB* (website) viewed 5 March 2009 <www.vgpb.vic.gov.au/CA256C450016850B/0/E90C330E6954A753CA256C77001EB134?OpenDocument>

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

162 Department of Planning and Community Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, 29 January 2009, p.22

163 Victorian Government Purchasing Board, Practitioners' Guide to Non-SPC Procurement, June 2006, p.61

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

165 Department of Planning and Community Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, 29 January 2009, p.22

166 Department of Primary Industries, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 13 January 2009, p.18

Two departments made reference to record keeping and the use of contract databases for procurement probity. The keeping of all information in a secure and confidential manner is addressed in section 1.11 of the VGPB Practitioners' Guide and applies to all VGPB contract value ranges. Further section 3.7 requires that files are kept up to date and complete to provide a record and audit trail for all procurement contracts. The Department of Treasury and Finance requires that all purchase over $2,000 must be entered into a contract database.[167] A similar database is used by the Department of Transport which requires that all contracts be entered into an online database.[168] Record keeping at the Department of Transport is also subject to random internal audits.[169]

(c) Training

Staff are integral to the achievement of probity in procurement contracts. Therefore the employment and training of staff in high standards of contract probity is important. Three departments identified staff training in procurement as a key step to ensuring probity in departmental contracts. The Department of Human Services provided internal procurement training for staff[170] and the Department of Justice ran procurement forums for staff.[171] The Department of Planning and Community Development outlined its compulsory Governance of Financial Management induction training, which includes training in VFM, for financial delegates authorised to approve contracts up to $100,001.[172]

The VGPB offers procurement training, in conjunction with the Office of Public Employment, through the Procurement and Contracting Centre for Education and Research (PACCER). The PACCER website states that training can be scheduled to suit an organisation's own timing.

The Committee considers the training and possible accreditation of staff overseeing procurement contracts less than $102,500 to be critical to probity in procurement contracts.

Recommendation 12: **Departments and agencies ensure staff responsible for authorising and managing procurement attend relevant courses offered by the Procurement and Contracting Centre for Education and Research, or similar, and that staff with these responsibilities receive accreditation for the training.**

7.5.2 Agency practices

The Committee found that agencies tended to more explicitly address the probity failures identified by the Victorian Ombudsman. This attention reflects the focus of the Victorian Ombudsman's report upon organisations resembling the size and operation of agencies, but also the fact that Victoria Police is the only Government agency required to implement VGPB guidelines in procurement contracts. In some cases, the report was directly relevant, such as Austin Health and the Royal Children's Hospital and health agencies more generally.

167 Department of Treasury and Finance, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.27

168 Department of Transport, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2008, p.44

169 ibid., p.45

170 Department of Human Services, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 19 January 2009, p.51

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

172 Department of Planning and Community Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, 29 January 2009, p.22

The following section details the three main probity practices identified by selected Government agencies in response to the Committee.

(a) Policies and procedures

Policies and procedures for procurement contracts under $102,500 ensure that probity is likely to be realised by providing a framework for conducting procurement contracts. With the exception of two agencies that indicated policies and procedures were being implemented, all agency respondents identified specific procurement policies or outlined their procurement procedures. Two agencies included schematic representations of their procurement process, two directly referred to the Victorian Ombudsman's report and six agencies referred to the VGPB. The Victoria Police are the only agency required to apply the VGPB's polices and procedures and therefore have an APU.[173]

The Committee was interested in the responses received from health agencies with the view that the Victorian Ombudsman's report concerned public hospitals. Eastern Health stated that it had procurement procedures in place with guidelines specifically addressing controls dealing with risks identified in the Victorian Ombudsman's report.[174] Melbourne Health stated that it is currently developing a procurement policy[175] and the Royal Childrens Hospital stated that it was in the middle of implementing procurement guidelines.[176] Barwon Health stated that it had 'commissioned a review of its supply chain management and processes'.[177]

(b) Quotations

The use of quotations for awarding contracts for the supply of goods, services and assets is the practice most widely used by government agencies to ensure probity. The VGPB has a template that can be used for preparing a request for quotes. Thirteen agencies stated that quotations are a key part of the procurement process and seven of these agencies provided a further breakdown of the cost thresholds for quotation requirements applied by the agency. Generally, agencies understood the VGPB requirement that contracts under $15,400 need only one written quotation and three for contracts exceeding this amount.[178]

(c) Segregation

The segregation of staff who deal with organisations providing quotes and staff awarding contracts is used, in several cases, to enhance probity. Section 1.11 of the VGPB Practitioners' Guide stipulates that to ensure there are no conflicts of interest:[179]

> *As a general rule, staff associated with a potential supplier [are] … precluded from taking part in the decision making process for that quote.*

Two agencies, Melbourne Water[180] and VicRoads,[181] stated that the roles and responsibilities of staff involved in contract purchasing are segregated, with staff obtaining quotations separate to staff that approve the selection of contractors.

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173 Department of Justice, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.37

174 Eastern Health, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.18

175 Melbourne Health, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 22 December 2008, p.14

176 Royal Childrens Hospital, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.14

177 Barwon Health, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.16

178 Victorian Government Purchasing Board, Practitioners' Guide to Non-SPC Procurement, June 2006, p.54

179 ibid., p.53

180 Melbourne Water, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 12 December 2008, p.11

181 Department of Transport, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 03 December 2008, p.46

7.5.3 Conclusion

The Committee found that probity in procurement contracts under $102,500 is pursued by departments and agencies through three avenues. These avenues are:

- procurement policies and procedures;
- staff roles and responsibilities; and
- internal monitoring.

In many instances departments and agencies had in place policies and procedures for procurement contracts, while some agencies were in the process of developing and/or implementing their respective policies. Policies and procedures were notably based on VGPB guidelines. These policies and procedures had been adopted in a range of organisational frameworks, including the use of APU.

Organisational frameworks are dependant on staff skills and defined roles and responsibilities. The Committee was pleased to note that a number of departments and agencies had identified specific training for staff involved in procurement. In smaller organisations the use of quotations and segregation of staff involved in obtaining quotations and awarding contracts was a further step toward achieving probity objectives.

Departments and agencies outlined a variety of internal measures that ensure probity, including contract monitoring, internal auditing and record keeping that may go some way toward addressing a number of concerns from the Victorian Ombudsman's report into probity.

CHAPTER 8: GRANTS

Key Findings of the Committee:

8.1 **Grants accounted for $3.8 billion of government spending in 2007-08. Yet there is little detailed coverage of grant programs in the annual reports of government departments and agencies. Accountable reporting for the expenditure of grant funds and delivery of grant program outcomes needs to be extended.**

8.2 **All grant issuing departments and agencies have sound guidelines in place to administer grant applications. While the financial accounting requirements vary between departments and agencies, in most cases agreement is required between the recipient and grant administrator, the keeping of financial records and payment dependant on reaching agreed outcomes.**

8.3 **The size of grants allocated varies widely between departments and agencies. The three largest grant programs were all valued over $100 million, however, they consisted of multiple grants within a grant program. Two of these programs were First Home Owner Grants in which recipients were individual persons. The Country Fire Authority received the largest single grant of $55 million.**

8.4 **Further work is required by departments to reconcile the objectives and outcomes of a grant recipient with the objectives and outcomes of the Department. Response received from four departments provided insufficient evidence of applied reconciliation processes.**

8.5 **The large amount of public money allocated through grants necessitates greater disclosure and reporting standards in the annual reports of departments and agencies.**

8.1 Background

This chapter investigates the administration of grants by government departments and agencies. This review examines:

- the amount of money being allocated via grants;
- the level of reporting within annual reports;
- the accountability of third parties for expenditure of grant monies; and
- the delivery of outcomes associated with grant funding.

The Committee has determined that $3.8 billion of public money was allocated as grants by government departments for the year 2007-08. This is more than 10 per cent (11.2 per cent) of the $33.9 billion allocated in the State budget for expenses and service delivery.[182] Yet the role of grants and third party organisations in implementing government projects and programs is not explicitly reported in the annual reports of most departments and public sector agencies.

Currently Financial Reporting Direction (FRD) 22 requires that departments and agencies identify in their annual reports each consultancy exceeding $100,000 (exclusive of GST), however, no such reporting requirement exists for grant funding allocated by a department or agency.

[182] Public Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates Part Three*, p.26

In the absence of specific reporting requirements the Committee has examined the level of financial and performance accountability that was applied to the allocation and expenditure of public money as grants and to the third parties receiving this funding in 2007-08.

In all responses received from government departments it was indicated that they administer grant programs. Only four of the 34 public sector agencies questioned about grants indicated that they are responsible for administering grants (see Table 8.1).

Table 8.1: Agencies that did not indicate they provided grants

Austin and Repatriation Medical Centre	Southern Cross Station Authority
Bayside Health	Victorian Learning and Employment Skills Commission
Eastern Health	Metropolitan Fire and Emergency Services Board
Melbourne Health	Victorian Casino and Gaming Authority
Western Health	Victoria Police
Southern Health	National Gallery of Victoria
Royal Children's Hospital	Victorian Energies Network Corporation (VenCorp)
Barwon Health	Barwon Region Water Authority
Port of Melbourne Corporation	Goulburn Murray Rural Water Authority
Roads Corporation	Treasury Corporation of Victoria
Victorian Rail Track	Yarra Valley Water Limited
Melbourne Water Corporation	Victorian Managed Insurance Authority
Rural Finance Corporation	Victorian WorkCover Authority
State Electricity Commission of Victoria	Victorian Funds Management Corporation
Victorian Urban Development Authority	

Source: Agency Responses to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part One.

8.1.1 Grant definition used

For the purposes of the Committee's inquiry, the following definition for a grant, developed from that used by the Auditor-General in the report *Grants to Non-Government Organisations: Improving Accountability*,[183] was used:

> *A grant pertains to any monies included as a controlled expense within a department's output schedule that is allocated to any government entity (including General Government entities and Public Non-Financial Corporations), third party or parties outside the public sector and at the discretion of a department or agency, with recipients required to use the moneys for the specific purposes outlined in the particular funding agreement.*

[183] Victorian Auditor-General's Office, Grants to Non-Government Organisations: Improving Accountability, November 2000, p.15

8.2 Grant applications

The first area of Committee scrutiny regarding grant funding is the application process. The Committee asked departments and agencies to detail the process they use for inviting and processing grant applications. Specific information was sought regarding the financial accounting procedures required of grant applicants.

8.2.1 Application process

The Committee found that government departments and agencies allocating grants funds had either applied standard guidelines or developed specific guidelines for offering grants. These guidelines include the identification of selection criteria and a process for the impartial and in some cases expert evaluation of applicants. The use of guidelines and selection criteria in application processes is designed to ensure a 'consistent, fair and transparent' process.[184]

The grant application process used by departments was either a standard process or one specifically tailored to either the size of grant being offered and/or the particular objectives of the grant program. An example of a standardised grant application process is the First Home Owners Scheme in which the Department of Treasury and Finance offers people buying their first residential property a $7,000 grant. This grant is administered through the State Revenue Office and applicants are required to submit completed documentation, including verification that they are entitled to receive the grant prior to payment. This is a non-competitive grant whereby all qualified applicants receive the grant.

Some grants are designed with specific requirements to ensure that government projects are delivered as intended in the budget. For example, the Department of Human Services outlined the requirements of funding applications for Housing Associations. Amongst the particular requirements is a demonstrated '*capacity to deliver the project within the proposed schedule and to deliver ongoing tenancy and property management*'.[185] Further examples include grants administered by water corporations to significant water consumers to reduce water consumption. Due to the low profit incentive for businesses to reduce water consumption, grants are offered to encourage large corporate water consumers to implement a Water Asset Management Plan. The government launched the waterMAP program on 25 July 2007, which now makes it mandatory for non-residential water customers using over 10 million litres a year to develop a water management action plan (waterMAP).[186] In its response to the *Report on the 2006-07 Financial and Performance Outcomes* the government outlined the success of the waterMAP program, stating that:[187]

> *In total, 1845 customers across Victoria have now completed a waterMap, with the aim of achieving a water saving of 8 billion litres.*
>
> *Significant water savings have already been delivered through this, and other water conservation programs. In 2006-07, Melbourne's non-residential sector (including those in the Top 200 program) reduced its water usage by 9 billion litres.*

184 Department of Human Services, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 19 January 2009, p.55

185 ibid., p.55

186 Victorian Government, WaterMAP (website), viewed 4 February 2009, http://www.ourwater.vic.gov.au/saving/industry/watermap

187 Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 79th Report on the 2006-07 Financial and Performance Outcomes, April 2008, p.46

Where grants involve large sums of money respondents indicated that a two-stage application process is followed to ensure sound accountability. This recognises the additional work involved in making a grant application and the need for a thorough evaluation process. Generally, a call for expressions of interest in the grant program is made and a first round selection process is undertaken. Selected applicants are then invited to submit a full grant application. The Department of Transport stated in its response that a two-stage process was used in allocating Local Area Access Program and TravelSmart grants.

The Transport Accident Commission (TAC) detailed in their response to the Committee that in 2007-08 a two stage process with independent evaluation was used to award Victorian Neurotrauma Initiative (VNI) grants of up to $5 million. Successful 'Expression of Interest' applicants were awarded up to $10,000 to conduct a workshop to assist in the development of their 'Full Funding Submissions'.[188] Such a payment is potentially as little as 0.02 per cent of the potential total grant amount, a small investment in an application process to select the best and most appropriate applicant. The TAC was the only respondent who indicated that a payment was made for second round grant applications. The Committee would encourage the TAC to obtain an independent assessment of the merits/success of this approach.

The contestable process applied to most grant application processes requires a consistent, fair and transparent process to ensure that:

- the best applicant is awarded the grant, giving a project the greatest potential to successfully deliver the desired outcomes; and
- that all applicants, the Government and the public can be confident that the best applicant has been chosen.

Evidence from the responses received by the Committee demonstrated two key aspects to ensuring a robust grant application process. Firstly, the application process has to be carefully developed to reflect the specific requirements of the grant project.

Secondly, the amount of money being allocated in a grant usually determines the level of detail required for applications. Whereas small grants may only require a form to be filled in, explaining an applicant's proposed project, large grants justifiably require a two-stage process to aid selection and warrant the required development input from applicants that allows a department or agency to make an informed grant decision.

8.2.2 Financial accounting requirements of applicants

The Committee found that four similar accounting requirements were required of grant recipients by departments depending on the nature and the size of the grant. The four requirements were:

- a financial audit of a grant recipient be undertaken to evaluate their financial and operational viability, to ensure project or program delivery;
- accepting the grant agreement with the department allocating the grant;
- that funding is paid on delivery of project or program outcomes; and
- keeping records of all associated expenditure in accordance with the *Financial Management Act 1994,* Section 44.

The accounting requirements and level of required detail was, in most cases, dependent upon the value of the grant funding provided. In some instances the grant process is tailored to the expected outcomes and variety of both grant program objectives and organisations receiving grants.

[188] Transport Accident Commission, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.14

The level of agreement between a grant recipient and an allocating department or agency differed also according to the amount of funding involved. While the Department of Sustainability and Environment require all grant recipients to enter into a Deed of Grant, the Department Of Human Services stated that 'financial accounting obligations are commensurate with the requirements specified in each of the grant invitations' and 'vary according to the amount of grant funding'.[189] The Department of Innovation, Industry and Regional Development have two levels of agreement depending on the size of grant: for grants less than $50,000 a letter of offer suffices as a legally binding document, but for grants greater than $50,000 a specific legal agreement is drawn up.

The second accounting requirement concerns the payment of grant funding. It was a common practice to make payment conditional on the delivery of outcomes or upon reaching identified milestones.

The third requirement was the keeping of accounting records including tax invoices. In most instances accounting records needed to be submitted as a prerequisite for payment. Parks Victoria applied a different approach, instead, advising grant recipients that they may be audited at the completion of the grant project, at which point full financial records must be disclosed.[190]

The exception amongst questionnaire respondents was South East Water. While the accounting procedures followed were generally similar amongst departments and agencies, South East Water stated that they do not require grant applicants to follow any specific 'financial accounting procedures'.[191]

The Committee is reassured by the common approach taken by departments and agencies to financial accounting requirements, with the one exception identified. Importantly, the Committee considers the requirement that program outcomes be met to receive payment is a sound method for guaranteeing public money achieves the budget objectives to which it is allocated by the government.

Recommendation 13: **South East Water develop accounting requirements for grant projects which grant applicants must address in the application process.**

8.3 Grant programs and recipients

In reviewing government grants for 2007-08 the Committee sought a descriptive indication of the types of grant programs departments and government agencies were funding and the organisations receiving grant funding. Departments and agencies were asked to provide organisational information, a project summary and time of completion data for their three largest grants.

8.3.1 Three largest grants allocated in 2007-08

An analysis of information supplied by departments and agencies reveals a variety of projects were funded and that only a small proportion of funding was allocated to private companies.

189 Department of Human Services, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 19 January 2009, p.56

190 Parks Victoria, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.11

191 South East Water, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.19

The largest grant initiative in 2007-08 was a Department of Education and early Childhood Development grant of $399.8 million to non-government schools.[192] The next two largest grant initiatives were the Department of Treasury and Finance administered *First Home Owners Scheme* ($264.1 million) and *State First Home Buyers Bonus* ($111.4 million). These three largest grants are, however, combined totals. The State Revenue Office website states that the two first home owner grants are worth $7,000 and between $3,000 and $5,000 respectively.[193] The Department of Education and Early Childhood Development did not provide details of schools receiving grants or the value of individual grants. The Committee believes that such information should be made available by the Department as a condition of the grant and that this information then be publicly reported annually. The Country Fire Authority received the largest individual grant of $55 million and two $50 million grants were allocated to the Victorian Life Sciences Computation Initiative (University of Melbourne) and Affordable Housing (Department of Justice).

Recommendation 14: **The Department of Education and Early Childhood Development publicly report, on an annual basis, the itemised details of grants made to non-government schools.**

192 Department of Education and Early Childhood Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.18

193 State Revenue Office, Victorian Government First Home Owner Grant (website), viewed 4 February 2009, http://www.sro.vic.gov.au/sro/SROWebsite.nsf/rebates_fhog.htm

Table 8.2: Three largest grants allocated by departments and agencies in 2007-08

	Grant 1		Grant 2		Grant 3	
	Program/Recipient	**Grant value ($ million)**	**Program/Recipient**	**Grant value ($ million)**	**Program/Recipient**	**Grant value ($ million)**
Department of Human Services	Loddon Mallee Housing Services	22.5	Melbourne Affordable Housing	18.2	Walter and Eliza Hall Institute Establishment of a breast cancer biomarker discovery and evaluation program to improve patient outcomes	0.5 (over 2 years)
Department of Innovation, Industry and Regional Development	Victorian Life Sciences Computation Initiative	50	Melbourne Centre for Nanofabrication	15	Multinet Gas Distribution Partnership	13.3
Department of Justice	Country Fire Authority	55	Affordable Housing	50	Victorian Legal Aid	42.7
Department of Planning and Community Development	The Australian Grand Prix Corporation	43.2	Victorian Urban Development Authority	38.1	Victorian Institute of Sport	5.2
Department of Sustainability and Environment	Bush Tender	0.24	Improving Public Safety on Public Land/Truganina Explosive Reserve	0.2	Crown Land Caravan and Camping Park Improvement Program/Torquay Foreshore Caravan Park	0.09
Department of Treasury and Finance	First Home Owners Scheme	264.1	State First Home Buyers Bonus	111.4	Melbourne Major Events	31.8
Department of Transport	Torquay boat ramp	0.75	Walk Bendigo	0.3	Hastings Community Harbour	0.3
Department of Education and Early Childhood Development	Grants to Non Government Schools	399.8	Schools Start Bonus	37.5	Education Maintenance Allowance	(34.3)
Department of Primary Industries	Municipal Rates Subsidies	18	Exceptional Circumstance Payments	15	On-Farm Productivity Improvement Grants	9.6
Department of Premier and Cabinet	Melbourne International Arts Festival	5.9	Melbourne Symphony Orchestra	2.2	Victorian Opera	2.1

Table 8.2: Three largest grants allocated by departments and agencies in 2007-08

	Grant 1		Grant 2		Grant 3	
	Program/Recipient	**Grant value ($ million)**	**Program/Recipient**	**Grant value ($ million)**	**Program/Recipient**	**Grant value ($ million)**
Parks Victoria	Kororoit Creek Trail	0.36	Hallam Main Drain Trail	0.21	Mullum Creek Trail Stage 2	0.2
Transport Accident Commission	University of Melbourne Traumatic Injury to Brain and Spinal Cord: Secondary Injury, Development and Evaluation of New Treatments	4.2	Howard Florey Institute Preventing neuronal cell death following brain trauma	1.7	Murdoch Children's Research Institute Prevention and Treatment of Social Problems Following Traumatic Brain Injury in Children and Adolescents	1.3
City West Water	Melbourne Stadiums Limited	0.23	CSR Ethanol Pty Ltd	0.13	Oxford Cold Stores	0.1
South East Water	Victorian Amateur Turf Club	0.1	CCA Bayswater Pty Limited	0.05	GM Holden Ltd	0.06

Sources: Department and Agency Responses to the Committee's Financial and Performance Outcomes Questionnaire – Part One

Most grants identified in the responses received were to individuals, government organisations (State and local), universities and research institutes, non-government and not-for-profit organisations. There is limited grant funding to private companies, including grant funding to individual farm businesses through the On-Farm Productivity Improvement Grant Program, administered by Department of Primary Industries. Eight grants worth $28.7 million were also allocated to private companies, which included five grants for water conservation projects with a combined value of $416,533 and $9.6 million in grants to individual farm businesses worth up to $3,000 each.

Individuals accounted for the largest allocation of grant payments, largely due to government grants to first time home buyers, but also other grants such as the School Start Bonus and Education Maintenance Allowance from the Department of Education and Early Childhood Development. There were eight grants allocated to State Government departments and agencies.

While water conservation, education and first home buyers are recognised areas of government funding, other grants identified in responses to the Committee's Questionnaire covered a much wider variety of projects. These included:

- Australian Grand Prix Corporation (Department of Planning and Community Development);
- On-Farm Productivity Improvement Grants (Department of Primary Industries);
- Walter and Eliza Hall Institute, establishment of a breast cancer biomarker discovery and evaluation program to improve patient outcomes (Department of Human Services);
- Melbourne Centre for Nanofabrication (Department of Innovation, Industry and Regional Development);
- Kororoit Creek Trail (Parks Victoria);
- Melbourne Major Events (Department of Treasury and Finance);
- Multinet Gas Distribution Partnership (Department of Innovation, Industry and Regional Development);
- Victorian Institute of Sport (Department of Planning and Community Development);
- University of Melbourne, traumatic injury to brain and spinal cord (Transport Accident Commission); and
- Torquay boat ramp (Department of Transport).

Departments and agencies reported that most of the grants identified were in line with the original target date for completion. However, the Committee was unable to assess whether identified delays were due to program or management delays or an indication of inefficiencies in the particular grant project.

Grants administered by agencies included three local government grants (Parks Victoria), three university/research institute grants (TAC) and the five grants to private companies to reduce water consumption (water corporations). A grant issued to the Melbourne Racing Club (not-for-profit) was also for a water conservation project. The three TAC grants accounted for 82.6 per cent of the $8.6 million worth of grants identified in the sample of agency grants.

A review of the three largest grants sample reveals the variety of grant projects, disparities in grant funding and categories of recipient organisations. However, on its own it only provides a partial picture of the role and significance of government grants. A more complete picture requires an analysis of grants as a proportion of a department or agency's operation and expenditure. This is provided in section 8.5 of this chapter (Grant allocations by departments and agencies).

8.4 Accountability of grant recipients

The accountability of grant recipients is an important element of a robust grant administration system. Grant recipients are given public money to implement projects that support government objectives and to deliver government outcomes. To determine the adequacy of the accountability requirements imposed on grant recipients, the Committee asked questions regarding reporting, accounting for expenditure and reconciliation of the objectives and outcomes of grant recipients with that of the funding department or agency. The grants reviewed in the previous section (8.3) were used as a reference point for questionnaire responses.

8.4.1 Reporting project outcomes and grant funds expenditure

The requirements imposed for outcome and expenditure reporting varied between grants and between departments and agencies. The Committee's assessment of grant reporting is focused upon the financial accounting requirements and approaches to ensuring the delivery of project outcomes. It is regular practice to only make grant payments after the successful achievement of required outcomes or milestones. Controls identified by departments and agencies included:

- the Department of Human Services have regular meetings with Housing Associations to discuss progress of grant programs and Housing Associations are subject to the regulations of the *Housing Act* 1983 and monitored by the Housing Registrar;
- reporting by all Victorian Cancer Agency grant recipients to the Department of Human Services is to include any publications and the fostering of project collaborations;
- the Department of Innovation, Industry and Regional Development Nanofabrication grant project is required to report six monthly on key issues and risk mitigation;
- the inclusion of the three largest grant recipients within the Department of Justice's performance output reporting means targets are identified in Budget Paper No.3 and reported in the Department of Justice annual report;
- individual recipients of first time home owner grants are required to demonstrate compliance with grant requirements;
- Department of Transport allocates a Grants Project Officer to each project funded through the Boating Safety and Facilities Program;
- Department of Transport requires the submission of meeting minutes for the purposes of accountability for the Walk Bendigo project; and
- while water savings grants are not tied to actual water savings they require water savings to be estimated. A final assessment is made by inspection.

The information supplied by respondents varied, in part due to interpretation of the question and also in the level of detail provided. The information supplied demonstrated to the Committee that most departments and agencies instituted accountability requirements that they deemed suitable to the grants they allocated. However, the exception was the Department of Education and Early Childhood Development, which did not provide information on the accountability or reporting of grant recipients beyond what was reported in section 8.2.2 of this chapter.

8.4.2 Reconciling grant objectives and outcomes with organisational objectives and outcomes

The relevance of objectives and outcomes of grant programs to those of the funding organisation are integral to the accountable allocation of funding by a department or agency. A range of methods are applied by departments and agencies to ensure reconciliation between grant programs and grant allocating organisations. Commentary is provided on the sufficiency of information from specific departments to ensure that grant objectives and outcomes are fully reconciled with those of the granting organisation.

The Department of Human Services identified a specific measure to ensure the reconciliation of objectives and outcomes with the Victorian Cancer Agency grant program. The Department uses a Consultative Council to advise the Minister for Health on the work of the Victorian Cancer Agency and this 'provides the necessary objectives and outcomes reconciliation pathways'.[194]

The following departments provided insufficient detail about their processes to reconcile grant and department objectives and outcomes:

- Department of Innovation, Industry and Regional Development;
- Department of Planning and Community Development;
- Department of Treasury and Finance; and
- Department of Education and Early Childhood Development.

The Department of Innovation, Industry and Regional Development stated that performance targets are set, but did not establish the extent to which these allow them to reconcile the objectives and outcomes of the grant recipient with those of the Department. The Department of Planning and Community Development provided a standard response to this part of the questionnaire and applied it to each of the three largest grants identified, stating that:

> *The department reports internally, within government and externally on its performance against targets including budget outputs, finances, grants, programs and projects. It produces an annual report including audited financial information, and is accountable to the Victorian community through numerous publications.*

The Department of Treasury and Finance provided a general response about 'increasing living standards … through the provision of innovative policy advice'.[195] The Department of Education and Early Childhood Development did not expand on the information already assessed as insufficient in 8.2.2 and 8.4.1.

The Committee also identified common methods for ensuring that objectives and outcomes are reconciled. These included assessing applications against criteria for inclusion in grant programs (Department of Sustainability and Environment) and similarly, the application of a competitive process to assess grant program objectives against department objectives (Department of Transport). For the Department of Justice the inclusion of the CFA, Metropolitan Fire and Emergency Services Board and Victorian Legal Aid within its performance output reporting means its three largest grant projects are directly informed by the objectives and outcomes of the Department.

194 Department of Human Services, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 19 January 2009, p.62

195 Department of Planning and Community Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 15 December 2008, p.27-28

Three examples of specific measures to ensure the reconciliation of objectives and outcomes for grant programs and projects were identified in agency responses. Parks Victoria stated that Metropolitan Trail Network Grants are aligned with a specific corporate objective to increase the range and accessibility to recreation. Victorian Neurotrauma Initiative grant projects funded by TAC are developed upon the stated purpose and constitution of Victorian Neurotrauma Initiative. Assisting the development of water saving solutions for customers is a key strategic direction of South East Water's corporate plan and the purpose of its three largest grants.[196]

The use of a common approach by the Department of Sustainability and Environment and the Department of Transport and the application of specific methods to ensure reconciliation, demonstrate efforts made to ensure organisational objectives and outcomes are met by grant programs. However, the inadequacy of responses from four departments also demonstrates to the Committee that there is a need for a minimum standard approach for ensuring reconciliation. A starting point could be an application process that incorporates the objectives and outcomes of the funding department or agency. Another could be the alignment of the outcomes of grant programs with performance measures identified for each department in the State budget.

8.5 Grant allocations by departments and agencies

The Committee asked departments and agencies to itemise grant allocations for 2007-08 according to grant programs and as a proportion of total organisation budget. The detail of responses to grant programs varied, however, information regarding total grant allocation and proportions of total budget was more complete. These responses highlighted how the role of grant funding differs as a means for achieving government objectives between departments and also agencies.

8.5.1 Grant allocations

A review of department and agency grant allocations revealed a significant variation in the proportions of department budgets allocated in grants for the year 2007-08. This variation can be attributed to the role and function of a department and the role of third party bodies and grant recipients in delivering department outcomes and government objectives.

Grant expenditure formed the majority of actual expenditure for two departments:

Table 8.3: Departments in which grant expenditure formed a majority of actual expenditure

Department	per cent	$ million
Department of Planning and Community Development.[197]	72.3	$399
Department of Innovation, Industry and Regional Development.[198]	77.4	$1,131

Sources: Department of Planning and Community Development, 2007-08 Annual Report, p.134
Department of Innovation, Industry and Regional Development, 2007-08 Annual Report, p.68

196 Department of Treasury and Finance, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.30

197 Department of Planning and Community Development, *2007-08 Annual Report*, p.134

198 Department of Innovation, Industry and Regional Development, *2007-08 Annual Report*, pp.68

The high proportion of grants as budget expenditure is a result of the shared development focus of both departments. A primary organisational value identified by the Department of Planning and Community Development in its 2007-08 annual report is a commitment to 'collaborating and building partnerships'.[199] Similarly, the Department of Innovation, Industry and Regional Development's strategic objectives are pursued through 'work with business and the community to boost productivity, exports, investments, visitation and jobs'.[200] There is a difference however between the two departments as the Department of Innovation, Industry and Regional Development allocates almost three times the amount of funds as the Department of Planning and Community Development. In general, the Department of Innovation, Industry and Regional Development, provided more comprehensive and detailed reporting of administered grants than any other department.

A wide middle range of grant funding is represented by the Department of Sustainability and Environment (43 per cent of total budget), the Department Of Primary Industry (35.8 per cent), the Department of Treasury and Finance (26.4 per cent) and the Department of Justice (14.9 per cent). In the case of the Department of Sustainability and Environment, portfolio entities such as Parks Victoria, Catchment Management Authorities and Zoos Victoria, received the majority of grant allocations (63.6 per cent) in 2007-08. External organisation and individuals formed the next largest group of Department of Sustainability and Environment grant recipients, being awarded 20.4 per cent or a total of $127 million.

The majority of grants from the Department of Treasury and Finance were made through the Government's First Home Owners Scheme and State First Home Buyers Bonus. Together these two grants amounted to $375.5 million in 2007-08, accounting for 74.6 per cent of Department of Treasury and Finance grants. Similarly grants identified by the Department of Primary Industry all related to drought assistance, 72.3 per cent of which were allocated to the agriculture sector. Of the twelve programs receiving grant allocations that were identified by the Department of Justice, more than three quarters (79.0 per cent or $196.9 million) was allocated to five programs/agencies:

- Country Fire Authority;
- Affordable Housing;
- Victorian Legal Aid;
- Metropolitan Fire and Emergency Services Board; and
- Taking Action on Problem Gambling.

The Department of Human Services and the Department of Transport make minimum use of grants to execute their budget responsibilities. The Department of Transport allocated 0.3 per cent and the Department of Human Services only 0.08 per cent, however budget disparity means that both departments allocated approximately $10 million each. The Department of Transport allocated grants through three programs: the Boating Safety and Facilities Program, and the Local Area Access Program and Travel Smart. The Department of Human Services did not provide a breakdown of grant programs in its response to the Committee's Questionnaire.

The majority of the TAC budget was allocated as grants while only a minimal percentage of the budget in other agencies formed grant payments. There are two categories of programs receiving TAC grants, the smaller category (less than $1 million) for road safety education programs, with the majority of grants allocated to health research as part of the Victorian Neurotrauma Initiative researching Traumatic Brain and Spinal Cord Injury.

199 Department of Planning and Community Development, *2007-08 Annual Report*, p.11

200 Department of Innovation, Industry and Regional Development, *2007-08 Annual Report*, p.13

Table 8.4: Grant allocations 2007-08

	Total grant allocations 2007-08	2007-08 budget	Proportion of total Department / Agency budget
	($ million)	($ million)	(%)
Department of Human Services	10.2	12,452.9	0.08
Department of Innovation, Industry and Regional Development	1,132.6	1,560.3	72.6
Department of Justice	249.1	1,671.8	14.9
Department of Planning and Community Development	399.0	414.3	96.3
Department of Sustainability and Environment	624.0	1,448.8	43.0
Department of Treasury and Finance	503.3	1,909.2	26.4
Department of Transport	9.8	2,950.0	0.3
Department of Education and Early Childhood Development	596.0	599.0	99.5
Department of Primary Industry	242.8	676.8	35.9
Department of Premier and Cabinet	36.0	527.1	6.8
Department Total	**3,802.8**	**24,210.2**	**15.7**
Parks Victoria	1.2	164.9	0.7
Transport Accident Commission	6.6	7.5	88.0
City West Water	1.2	29.5	4.1
South East Water	0.6	92.7	0.6
Agency Total	**9.6**	**294.6**	**3.3**
Total	**3,812.4**	**24,504.8**	**15.6**

Sources: *Department and Agency Responses to the Committee's Financial and Performance Outcomes Questionnaire – Part One*

8.6 Conclusions

The Committee's review of grants has found that adequate but varying processes are in place to ensure the accountability of grant programs. However, this assessment of the adequacy of accountability processes and measures could not be made based on the level of disclosure and reporting in annual reports for 2007-08 alone. The Committee has made recommendations aimed at improving the reporting of grants in annual reports.

Overall, responses to grant questions posed by the Committee were answered with sufficient detail to allow the Committee to reach the conclusion that there is room to improve the design and application of accountability practices within government grant programs, from application to payments and the satisfactory delivery of program outcomes. Further work is needed in the reconciliation of objectives and outcomes of grant programs to objectives and performance measures of funding organisations. While a majority of departments demonstrated adequate and applied reconciliation, four departments provided no specific detail. The Committee has highlighted how the examples of other departments point to a standard that the Committee recommends be developed to ensure reconciliation of objectives and outcomes.

The Committee found that two departments were highly dependant on grant programs to deliver State budget commitments, while grants made up less than 1 per cent of expenditure from another two departments. The remaining departments filled a broad middle band. Disparity was also evident between government agencies. The Committee has recommended that reporting and disclosure is required for grants in excess of $100,000, in a similar requirement to that required for consultancies.

Recommendation 15:	**To enhance public accountability, government departments and agencies disclose in their annual reports, all grant payments as per the Department of Innovation, Industry and Regional Development Annual Report, Appendix 13.**

CHAPTER 9: EFFICIENCIES

Key Findings of the Committee:

9.1 **The 2007-08 financial year represented the initial period of a four year program of implementation of savings totalling $632 million targeted at departments under the Efficient Government Policy ($447 million) and 'other' efficiency measures ($185 million).**

9.2 **Departments have advised the Committee that they fully achieved their 2007-08 savings obligations which totalled $103.2 million. This result was $5.6 million higher than the aggregate of projected savings for the year for individual departments that were itemised in the 2007-08 budget papers. Most savings were generated under the *Buying Smarter – Buying Less* strategy of the Efficient Government Policy accounting for $46.1 million, or 45 per cent, of the year's aggregate savings.**

9.3 **It was not possible for the Committee to accurately dissect aggregate savings between the Efficient Government Policy and 'other' efficiency measures as two departments, Premier and Cabinet and Planning and Community Development, could not separately identify savings achieved for all measures.**

9.4 **The material submitted to the Committee provided, in most cases, a general picture of departmental strategies employed to achieve savings targets under various designated efficiency categories. Savings measures identified to the Committee included greater use of whole of government purchasing arrangements, negotiation of new purchasing contracts and restructuring of corporate services functions, including payroll and human resources.**

9.5 **Measures taken by departments to limit growth in Head office staffing numbers included the slowing, where appropriate, of recruitment action and the filling of positions.**

9.6 **Departments have reported that in 2007-08 there has been no detrimental impact from savings regimes on program or service delivery. Their initial strategies have focused on internal operational efficiencies and improved management practices.**

9.7 **Two departments, Sustainability and Environment and Transport, advised the Committee they do not record all actions taken to achieve savings targets but rely on individual business units to realise savings through their reduced budgets. While recognising this position, particularly for small savings, the Committee would have expected that the management trail in these departments was sufficiently robust to give accurate information on strategies employed across the organisation to realise savings under specially-designated categories.**

9.8 **In some departments, organisational reviews have been implemented or planned in recognition of the need for wider implementation in future years of strategies to achieve savings.**

9.9 **Departments face significant demands in meeting ongoing savings targets in future years, given that many of their early actions in 2007-08 are likely to have been directed to the more obvious areas with immediate potential for efficiency gains. Meeting major efficiency targets over several continuous years without adversely impacting on service delivery capability will be a significant challenge for departments and is likely to require more sophisticated management approaches in the coming years. These circumstances also reinforce the importance of effective implementation in future years of whole of government strategies directed at savings in the departmental sector.**

9.10 **Any deterioration in economic conditions and the associated fiscal implications for the government provide an additional dimension to the demands on departments for ensuring they are operating with maximum efficiency.**

9.11 **There is scope for the Government Services Group within the Department of Treasury and Finance to provide guidance material to departments to assist their voluntary reporting to Parliament in annual reports on their performance in achieving savings targets.**

9.12 **The overall significance of the government's savings initiatives, from both monetary and service delivery viewpoints, warrants an examination by the Auditor-General of the strategies employed by central government and departments in the attainment of savings targets.**

9.1 Nature of the government's contemporary efficiency strategies

In recent years, the Committee has devoted attention in its annual budget estimates and outcomes reports to major government budgetary initiatives associated with savings targets assigned to departments and to the extent of achievement of savings by departments. The Committee's consideration of the subject has included assessment of the quality of presentation of material on targeted savings in annual budget papers, and the adequacy of reporting by departments on actions taken to achieve savings and on any resultant impacts on service delivery such as a need to accelerate or defer particular programs.

The Committee's *Report on the 2006-07 Financial and Performance Outcomes* addressed savings targeted at departments in 2005-06 and 2006-07.[201] Its reports on budget estimates for 2007-08 and 2008-09 focused on specific savings initiatives introduced in the 2007-08 and 2008-09 budgets.[202] These initiatives involved:

- implementation of the government's *Efficient Government Policy* across departments arising from its 2006 election commitments, and 'Other' efficiencies expected of departments (both announced in the 2007-08 Budget); and
- 'general efficiencies' in administration within departments (identified in the 2008-09 Budget).

201 Public Accounts and Estimate Committee, *Report on the 2006-07 Financial and Performance Outcomes*, May 2008, pp.151-169

202 Public Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates – Part Three*, September 2008, pp.34-7 and *Report on the 2008-09 Budget Estimates – Part Three*, October 2008, pp.36-8

Two key characteristics of the government's contemporary savings initiatives have been their magnitude in dollar terms and specified timelines incorporating annual targets over forward estimates periods for implementation. For example, the *Efficient Government Policy* involves savings targets totalling $447 million over the four year forward estimates period 2007-08 to 2010-11, the 'other' efficiencies mentioned in the 2007-08 budget amount to $185 million over the same period, and the 'general' efficiencies in administration planned from 2008-09 have an aggregate value of $500 million to be realised over the four year period 2008-09 to 2011-12.[203]

The implementation periods of different efficiency strategies can overlap, for example, the 2008-09 financial year would involve all three strategies identified in the above paragraph. This situation reinforces the importance of careful planning by departments of actions that will generate in each case the desired annual savings.

The Committee's past analysis of planned and actual savings achieved by departments has identified a need for improved presentation of planned strategies in annual budget papers and in ex-post reporting by departments in their annual reports on implementation of savings strategies.

In its 2006-07 outcomes report, the Committee recommended that four courses of action could be taken to address these matters.[204] The government's response to that report stated that no additional action was necessary as efficiency measures essentially concern departmental inputs and full accountability for departmental performance in achieving planned savings is reflected in Victoria's output management model.[205] This model requires departments to report against specific quantity, quality, timeliness and cost output targets. Under this approach, the reporting of attainment of aggregate output targets, after reduction through savings to budgeted inputs, is deemed by the government as sufficient to adequately discharge the accountability obligations of departments associated with the savings initiatives.

9.2 Departmental performance against targeted savings in 2007-08

While recognising the government's position (identified in the previous paragraph), on departmental reporting of outputs, the Committee determined to continue to seek from departments, as part of its current outcomes inquiry, information on the extent to which they had achieved savings targeted in the 2007-08 Budget under the Efficient Government Policy and other identified efficiencies, as well as on any consequential impact to service delivery.

In seeking this information, the Committee's aim was to assess the nature of early departmental actions taken in 2007-08 in implementing the government's savings strategies and to determine whether similar material should be gathered in future years as part of its ongoing accountability charter.

The 2007-08 budget papers disclosed the following information on aggregate savings of $632 million targeted at departments in 2007-08 under the Efficient Government Policy and 'Other efficiencies' to be achieved over the four year forward estimates period 2007-08 to 2010-11:

203 Budget Paper No.3, *2007-08 Service Delivery*, p.344 and Budget Paper No.3, *2008-09 Service Delivery*, p.358

204 Public Accounts and Estimate Committee, *Report on the 2006-07 Financial and Performance Outcomes*, May 2008, p.169

205 Victorian Government, Response to the Committee's report on the 2006-07 Financial and Performance Outcomes, November 2008, pp.15-6

Efficient Government Policy – targeted savings of $447 million

- Improvements in government procurement under Buying Smarter, Buying Less – $292 million
- A whole of government approach to shared services – $60 million
- Implementation of best practice grant administration – $35 million
- More efficient management of the government vehicle fleet – $20 million
- A reduction in advertising and consultancy expenditure – $20 million
- Better integration of ICT services across government – $20 million

Other efficiencies – targeted savings of $185 million (not dissected in budget papers)

- Merger of the Victorian Office of Multicultural Affairs and Victorian Multicultural Commission
- General efficiencies across government , including limiting the future growth of head office staff

The budget papers did not identify the estimated savings expected by each department in each of the next four years for the six efficiency measures established under the Efficient Government Policy or for the other efficiencies category. The budget papers did separate each department's annual expected contribution to the Buying Smarter, Buying Less strategy over the four year period to 2010-11 but grouped the annual expected contribution for all remaining efficiency strategies, encompassing both the Efficient Government Policy and other efficiencies categories, under a second heading of 'Other efficiencies'.

Because of the budget papers' global presentation of efficiency targets across departments, incorporation of this item within the Committee's 2007-08 financial and performance outcomes Questionnaire was necessary to identify each department's targets in 2007-08 for all efficiency measures.

The material sought by the Committee from departments addressed three areas, namely:

- an outline of each department's contribution to the targeted savings allocated under the individual efficiency measures making up the Efficient Government Policy and to other efficiencies assigned to the department;
- a description of the way in which all efficiencies realised by departments were utilised in meeting the costs associated with the provision of frontline services to the community; and
- an explanation of the impact on departments' service delivery capability of attainment of targeted efficiencies, for example, changes to the timing and scope of specific programs through advancement or deferral action.

9.2.1 Efficiency savings achieved by departments in 2007-08

Tables 9.1 and 9.2 show the responses received by the Committee from departments relating to their aggregate efficiency savings in 2007-08 and the breakdown of those savings according to efficiency measures under the Efficient Government Policy and 'other' efficiencies.

Two departments, Premier and Cabinet and Planning and Community Development could not separately identify for the Committee savings achieved for all efficiency measures comprising the Efficient Government Policy and 'other' efficiencies other the Buying Smarter – Buying Less strategy. While the total figures shown in Table 9.1 represent the aggregate of all savings advised by departments, the presentation of savings data for individual efficiency measures, apart from the Buying Smarter – Buying Less item, has been consequently affected, as identified in the note to the table. It was not possible therefore for the Committee to accurately dissect aggregate savings between the Efficient Government Policy and 'other' efficiencies.

Table 9.1: Aggregate efficiency savings achieved by departments in 2007-08

Efficiency measure	**2007-08 Target**	**2007-08 Actual**
	($ million)	**($ million)**
Efficient Government Policy		
Buying Smarter – Buying Less	46.1	46.1
Shared services (a)	8.6	8.6
Best practice in grants administration (a)	6.1	6.1
Fleet management (a)	3.7	3.7
Advertising and consultancies (a)	4.2	4.2
Integrated ICT(a)	4.4	4.4
Sub-total (a)	**73.1**	**73.1**
Other efficiencies (b)	**30.1**	**30.1**
Total	**103.2**	**103.2**

Notes: *(a) Figures shown for these items under the Efficient Government Policy do not include information relating to two departments, Premier and Cabinet and Planning and Community Development, as those departments submitted the figures under the one heading 'other efficiencies' and a further dissection was not available to the Committee.*

(b) This item includes for the Departments of Premier and Cabinet and Planning and Community Development an aggregate figure which could not be dissected between relevant efficiency measures of the Efficient Government Policy, see note (a), and 'other' efficiencies.

Sources: *Department and Agency Responses to the Committee's Financial and Performance Outcomes Questionnaire – Part One*

Table 9.2: Breakdown of 2007-08 aggregate efficiency savings across departments

Department	Savings initiative	2007-08 Target ($ million)	2007-08 Actual ($ million)
Education and Early Childhood Development	Efficient Government Policy		
	Buying Smarter-Buying Less	8.3	8.3
	Shared services	0.6	0.6
	Best practice in grants administration	0.1	0.1
	Fleet management	0.1	0.1
	Advertising and consultancies	0.2	0.2
	Other efficiencies		
	Grants duplication	0.3	0.3
	Capping head office staffing growth	1.2	1.2
	VMIA insurance savings	0.4	0.4
	WorkCover savings	4.4	4.4
	Additional budget efficiencies	0.5	0.5
Total		16.1	16.1
Human Services	Efficient Government Policy		
	Buying Smarter-Buying Less	8.2	8.2
	Shared services	4.3	4.3
	Best practice in grants administration	0.2	0.2
	Fleet management	0.9	0.9
	Advertising and consultancies	1.2	1.2
	Other efficiencies		
	Grants duplication	0.6	0.6
	Reduction in head office staffing (1%)	2.4	2.4
Total		17.8	17.8
Innovation Industry and Regional Development	Efficient Government Policy		
	Buying Smarter-Buying Less	2.6	2.6
	Shared services	0.2	0.2
	Best practice in grants administration	1.6	1.6
	Fleet management	0.1	0.1
	Advertising and consultancies	0.8	0.8
	Improved focus on ICT	2.0	2.0
	Other efficiencies		
	Grants duplication	5.4	5.4
	VPS increases	0.6	0.6
Total		13.3	13.3
Justice	Efficient Government Policy		
	Buying Smarter – Buying Less	5.6	5.6
	Shared Services	1.9	1.9
	Best practice in grants administration	0.1	0.1
	Fleet management – DOJ	0.3	0.3
	Fleet management – Victoria Police	1.3	1.3

Table 9.2: Breakdown of 2007-08 aggregate efficiency savings across departments

Department	Savings initiative	2007-08 Target ($ million)	2007-08 Actual ($ million)
	Advertising and consultancies	0.3	0.3
	Other efficiencies		
	CBD Office growth	1.9	1.9
	Grants duplication	0.4	0.4
	VMIA insurance – DOJ	0.3	0.3
	VMIA insurance – Victoria Police	0.1	0.1
	State purchasing contract savings	1.4	1.4
	Grants reallocation of savings	0.1	0.1
Total		13.7	13.7
Planning and Community Development	**Efficient Government Policy**		
	Buying Smarter – Buying Less	1.3	1.3
	Other efficiencies – the department advised that a dissection of this figure between the remaining efficiency measures of the Efficient Government Policy and 'other' efficiencies was not available.	5.3	5.3
Total		6.2	6.2
Premier and Cabinet	Efficient Government Policy		
	Buying Smarter – Buying Less	1.3	1.3
	Other efficiencies – the department advised that a dissection of this figure between the remaining efficiency measures of the Efficient Government Policy and 'other' efficiencies was not available. It indicated that, given the relatively small size of the target, savings were allocated across departmental units on a proportionate basis.	0.9	0.9
Total		2.2	2.3
Primary Industries	Efficient Government Policy		
	Buying Smarter – Buying Less	3.9	3.9
	Shared services	0.5	0.5
	Best practice in grants administration	0.1	0.1
	Fleet management	0.5	0.5
	Advertising and consultancies	0.3	0.3
	Other efficiencies		
	Other efficiencies	0.4	0.4
Total		5.7	5.7
Sustainability and Environment	Efficient Government Policy		
	Buying Smarter – Buying Less	7.1	7.1
	Shared services	0.7	0.7
	Best practice in grants administration	3.4	3.4
	Fleet management	0.5	0.5

Table 9.2: Breakdown of 2007-08 aggregate efficiency savings across departments

Department	Savings initiative	2007-08 Target	2007-08 Actual
		($ million)	($ million)
	Advertising and consultancies	0.8	0.8
	Other efficiencies		
	State purchase contracts	1.5	1.5
	WorkCover premium savings	0.5	0.5
	VMIA insurance savings	0.5	0.5
Total		15.0	15.0
Transport	Efficient Government Policy		
	Buying Smarter – Buying Less	5.6	5.6
	Shared services	0.2	0.2
	Best practice in grants administration	0.6	0.6
	Fleet management (savings totalled $50000)	-	-
	Advertising and consultancies	0.4	0.4
	Other efficiencies		
	Other efficiencies	1.0	1.0
Total		7.8	7.8
Treasury and Finance	Efficient Government Policy		
	Buying Smarter – Buying Less	2.6	2.6
	Shared services	0.2	0.2
	Fleet management (savings totalled $7000)	-	-
	Advertising and consultancies	0.2	0.2
	Integrated ICT	2.4	2.4
Total		5.4	5.4

Sources: Department and Agency Responses to the Committee's Financial and Performance Outcomes Questionnaire – Part One, and to follow-up emails issued by the Committee

It can be seen from the above tables all departments advised the Committee that they fully achieved their 2007-08 savings obligations which totalled $103.2 million. Most savings were generated under the Buying Smarter-Buying Less strategy which accounted for $46.1 million or 45 per cent of aggregate savings.

Based on the departmental responses, total savings realised in 2007-08 were $5.6 million higher than the aggregate, $97.6 million, of projected savings shown for individual departments in the 2007-08 Budget papers, with an additional $2.8 million, or 50 per cent of higher savings, achieved under the Buying Smarter – Buying Less measure.[206] This reflects the position advised by some departments that some savings targets under the Efficient Government Policy were revised subsequent to the 2007-08 Budget. Some departments also indicated to the Committee that targets under the 'Other efficiencies' category were varied after release of the 2007-08 Budget to incorporate some additional sources of savings such as reductions in WorkCover and insurance premiums.

Recommendation 16: **The Department of Premier and Cabinet and the Department of Planning and Community Development ensure that reporting systems are in place for future years that disaggregate efficiency savings so that a fuller, transparent reporting of savings under the Efficient Government Policy ($447 million target over four years) can be achieved.**

9.2.2 Departmental actions to achieve savings targets in 2007-08

The Committee also sought from departments a brief description of their actions taken during 2007-08 to achieve savings under the various efficiency initiatives. Table 9.3 at the end of this chapter sets out the responses received from departments.

The responses provide a general picture of initial departmental strategies employed in response to the introduction of significant annual savings targets from 2007-08. They identify that departments achieved significant savings in 2007-08 in the two key areas of Buying Smarter – Buying Less and Shared Services through several avenues including greater use of whole of government purchasing contracts, negotiation of new purchasing contracts, and restructuring of corporate services functions encompassing the elimination of duplication across organisational units, including payroll and human resources.

Measures taken to limit growth in Head Office staffing numbers in line with a 1 per cent growth cap required by the government included the slowing, where appropriate, of recruitment action and the filling of positions.

The Department of Treasury and Finance advised that significant savings, $2.4 million, were achieved by combining the Office of the Chief Information Officer and Multi Media Victoria, which further improved the whole of government ICT focus.[207]

Some departments also advised that organisational reviews have either been undertaken or are planned to strengthen their capacity to generate future savings, including preparation for wider implementation of whole of government shared services strategies, in recognition of their significant savings demands in future years. Some departments also mentioned that, because a centrally-managed shared services policy framework had not been fully developed during the year, savings earmarked in that area had to be realised through other avenues including operational efficiencies and attrition management.

The Committee was also advised by two departments, Sustainability and Environment and Transport, that they do not record all actions taken to achieve savings targets. These departments advised that in most cases the pursuit of savings is left to individual business units who have the responsibility of realising efficiency initiatives through reduced budgets. While accepting this position, particularly for very small savings, the Committee would have expected that the management trail in these departments was sufficiently robust to give accurate information on the strategies employed across the organisation to achieve savings under designated categories.

206 Budget Paper No.3, *2007-08 Service Delivery*, pp.278-337

207 Department of Treasury and Finance, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, Part One, p.27

The 2007-08 budget papers indicated that the savings generated over the four year period 2007-08 to 2010-11 '*would be reinvested back into frontline services to the community.*' [208] In their responses to the Committee on this point, most departments identified that savings were achieved through a reduction in their 2007-08 funding allocations which enabled reinvestment at central government level into frontline services to the community.

As mentioned in an earlier paragraph, the Committee also sought from departments an indication of the impact on their service delivery capability of attainment of targeted efficiencies, for example, changes to the timing and scope of specific programs. The Committee was particularly interested in the nature of departmental management strategies initiated in response to the savings regime such as a need to reprioritise programs, including any action necessary to defer or advance programs.

A recurring feature of departmental responses on this matter was that savings were targeted at internal efficiencies and improved management practices rather than on program or service delivery. The key message conveyed to the Committee was there was no significant detrimental impact from implementation of savings initiatives on the delivery of programs or services in 2007-08.

9.3 Some concluding comments on efficiencies

The 2007-08 financial year represented the initial period of a four year program of implementation of savings totalling $632 million targeted at departments under the Efficient Government Policy and under 'other' efficiency measures.

The material submitted to the Committee on achievement of savings targets in 2007-08 indicates that all departmental targets were met and that savings amounting to $103.2 million were achieved, primarily through internal efficiencies and enhanced management practices. The Committee considers there has been an encouraging start to implementation of the savings program introduced in 2007-08.

Based on the government's planned efficiency measures announced in the 2007-08 and 2008-09 budgets, Departments face further savings obligations totalling in excess of $1 billion over the period 2008-09 to 2011-12. The implementation periods of different efficiency strategies established by the government will overlap during this time horizon which reinforces, from the Committee's perspective, the importance of careful planning by departments of actions that will generate in each case the desired annual savings.

Departments have reported that in 2007-08 there has been no significant detrimental impact from savings regimes on program or service delivery.

The responses indicate that, in some cases, organisational reviews have been completed or are planned and signal wider implementation in future years of whole of government approaches to the generation of savings such as through initiatives involving the sharing of services. These messages from departments recognise the reality of the significant levels of recurring annual savings targets that have been assigned for the foreseeable future and the imperative of having well structured organisational strategies in place in order to successfully respond to the targets. The messages also accentuate the demands that departments face in meeting ongoing savings targets, given that many of their early actions are likely to have focussed on the more obvious areas with potential for immediate efficiency gains. Meeting substantial efficiency targets over several continuous years without adversely impacting on service delivery capability will be a significant challenge for departments and is likely to require more sophisticated management approaches in the coming years.

Any deterioration in economic conditions and the associated fiscal implications for the government provide an additional dimension to the demands on departments for ensuring they are operating with maximum efficiency.

208 Budget Paper No.3, *2007-08 Service Delivery*, p.p.35 and 344

The Government Services Group within the Department of Treasury and Finance (DTF) has the responsibility of improving efficiency through a more integrated approach to common services across government. The Group assists departments to achieve their business objectives through innovative management in the delivery of common services, including the achievement of efficiency targets under the Efficient Government Policy. The 2007-08 annual report of DTF contains two useful case studies on the formulation of early strategies relating to the Buying Smarter – Buying Less and Shared Services elements of the Efficient Government Policy.[209]

As mentioned in a previous paragraph, the annual reporting regulations do not require departments to specifically report on the effectiveness of their actions in pursuing annual savings targets as they involve management of inputs rather than achievement of output targets. While recognising this position, the Committee considers there is scope for the Government Services Group to include within its advisory functions some guidance to departments on the development of annual report material relating to actions taken to achieve allocated savings. Such material, which would extend beyond the core requirements of annual reporting regulations and involve voluntary disclosure action, would complement the Group's central reporting initiatives included in DTF's annual report. It would give Parliament some valuable across-government information on what will be a core aspect of departmental functioning in the coming years. The Committee intends to monitor developments in this area as part of its consideration of whether to continue to seek information on savings from departments as part of its annual outcomes inquiry. It does consider, however, that government should report specifically as an output its overall achievement of specific savings targets.

The Committee also considers that the overall significance of the government's savings initiatives, from both monetary and service delivery viewpoints, warrants an examination by the Auditor-General of the performance of the Government Services Group and individual departments at an appropriate point in time. Such examination could be undertaken mid-way through the existing savings program to provide Parliament with an assessment of the progressive performance across government in the attainment of targeted savings, and be followed by a final review at the completion of the savings program.

Recommendation 17: **The Government Services Group within the Department of Treasury and Finance issue, as part of its advisory functions, guidance material to departments to assist their voluntary reporting to Parliament in annual reports on their performance in achieving savings targets.**

Recommendation 18: **The Auditor-General examine the effectiveness of strategies employed by central government and departments in the attainment of savings targets under the government's savings program.**

209 Department of Treasury and Finance, *2007-08 Annual Report*, pp.21 and 33

Table 9.3: Departmental responses on actions taken in 2007-08 to achieve allocated savings targets

Department	Outline by departments of actions undertaken to achieve savings targets
Education and Early Childhood Development	**Efficient Government Policy** **Buying Smarter-Buying Less** The department captured central savings through the use of Whole of Government (WoG) contracts for items such as stationery, as well as through internal consolidation such as departmental level contracts for printing supplies and consumables. Savings were realised through initiatives such as the WoG electricity contract and the WoG gas contract. These savings are captured through lower levels of indexation funding being allocated to both schools and head office. **Sharing Services** The department has not directly benefited from the implementation of centrally managed shared services at this time, however it effectively absorbed the savings requirement through attrition management. **Best practice in grants administration** The department's largest discretionary grant program, the Strategic Partnerships Program, was recently reviewed, with a number of recommendations which enabled streamlining. This review resulted in head office savings in the administration of the program. **Fleet management** The department's comments under Buying Smarter – Buying Less were also linked to this efficiency measure. **Advertising and consultancies** The department reduced budgets for advertising, consultancies and other head office items to effect the savings requirement. **Other efficiencies** **Grants duplication** The department's comments under Best practice in grants administration were also linked to this efficiency measure. **Capping head office staffing growth** The department actively monitors its VPS profile and staffing levels (the department's comments under Shared Services were also linked to this efficiency measure). **VMIA insurance and Workcover savings** These savings are directly associated with reductions for the department's insurance premiums. **Additional budget efficiencies** The department's comments under Advertising and consultancies were also linked to this efficiency measure.

Table 9.3: Departmental responses on actions taken in 2007-08 to achieve allocated savings targets

Department	Outline by departments of actions undertaken to achieve savings targets
Human Services	**Efficient Government Policy** **Buying Smarter- Buying Less** Efficiencies in Buying Smarter – Buying Less were generated from current and new State Purchasing Contracts, full deployment of Electric Commerce for Procurement (EC4P) and conversion of a significant share of the DHS motor vehicle fleet from petrol to LPG. **Shared Services** The most significant component of the shared services efficiencies were achieved through the cost savings associated with the rationalisation of ICT servers in the consolidated data centre. Other efficiencies were achieved through the consolidation of metropolitan and rural payroll functions and the consolidation of central Human Resource units. **Best practice in grants administration** The department has a relatively minor grants program as the majority of funds provided to agencies are for the provision of services. Efficiencies were achieved through a reduction to budgets for those areas responsible for grants administration promoting development of more efficient work practices. **Fleet management** Fleet management savings were achieved through improved utilisation of existing vehicles and receipt of a lower lease charge due to the introduction of a buyer's premium as a charge on the sale of vehicles at auction. **Advertising and consultancies** Savings were achieved through a budget reduction across all outputs based on a proportionate budget reduction according to the prior year's expenditure. Consultancy expenditure reduced from $6.1 million in 2006-07 to $5.6 million in 2007-08. **Other efficiencies** **Grants duplication** The department's comments under best practice in grants administration were also linked to this efficiency measure. **Reduction in head office staffing** The department has maintained a rigorous monitoring regime of head office staffing levels and has achieved the desired outcome to limit growth in head office staffing to less than 1 per cent.

Table 9.3: Departmental responses on actions taken in 2007-08 to achieve allocated savings targets

Department	Outline by departments of actions undertaken to achieve savings targets
Innovation, Industry and Regional Development	**Efficient Government Policy** **Buying Smarter – Buying Less** These savings will be met primarily by Skills Victoria through greater contestability of training hours purchased. An analysis of the rest of the department showed there were limited opportunities for savings in the short term as the bulk of operating funding was tied to large contracts associated with accommodation, IT outsourcing etc. **Shared Services** Savings have been met across the department. Through its organisational alignment review, the department has taken steps to eliminate duplication in functions and position itself for WoG shared services implementation. **Best practice in grants administration** These savings have been met from a range of departmental grant programs. The department has undertaken a review of its grants programs with a view to achieving the required savings in future years. **Fleet management** These savings have been met across the department (it did not indicate how the savings were achieved). **Advertising and consultancies** These savings have been met across the department, with the major savings relating to Tourism Victoria. **Integrated ICT** These savings have been met by the Multi Media Victoria Division through evaluation and rationalisation of ICT projects. **Other efficiencies** **Grants duplication** The department's comments under best practice in grants administration were also linked to this efficiency measure. **VPS increases** In order to achieve these savings in 2007-08, the department slowed recruitment and the filling of positions was subject to a stringent approval process. It also commenced implementation of a new Organisation Structure to align resources to priorities and eliminate duplication in administrative functions which will lead to greater efficiencies in the long term.

Table 9.3: Departmental responses on actions taken in 2007-08 to achieve allocated savings targets

Department	Outline by departments of actions undertaken to achieve savings targets
Justice	**Efficient Government Policy** **Buying Smarter – Buying Less** The department achieved savings by taking a strategic approach to procurement initiatives and contract management. Age contributor to meeting the savings target was achieved via renegotiation of the Traffic camera Operations contracts. Business units across the portfolio were also encouraged to reduce non-essential expenditure and non-priority activities were discontinued where practical. **Shared Services** In the majority of cases, the department has found the required savings through implementing measures and strategies aligned to the items listed above. However, in some instances, such as the shared services savings, this was not possible as the required central infrastructure for shared services was not established at the time These savings had to be absorbed by the department by extracting operational efficiencies in Corporate Services and other areas that did not directly impact on service delivery. **Best practice in grants administration** Implementation of the Grant Management Process Guide to ensure proper management and accountability in the administration of grants and the amalgamation of like grants has delivered the required savings. **Fleet management** More efficient management of the department's vehicle fleet, introduction of the pilot bicycle program in the Collingwood Neighbourhood Justice Centre, encouraging staff to use public transport for movements within the CBD and utilising executive vehicles as pool cars has delivered the required savings for the department. **Advertising and consultancies** Savings targets have been met by reducing the print media/communications budgets across all business units within the department and replacing hard copy printing by electronic distribution where practical. Engagement of consultants and contractors by the department is in accordance with the standard Victorian Government Purchasing Board (VGPB) purchasing policies. **Other efficiencies** **CBD Office Growth** The department has implemented a number of strategies including: establishment of agreed staffing profiles for each business unit, lifting the delegation level for approval of new positions, and analysing the most appropriate site for service delivery staff to be located in line with the clients they serve. **Victorian Managed Insurance Authority** These savings had to be absorbed by the department by extracting operational efficiencies predominantly in Corporate Services but also in other areas that did not directly impact on service delivery. **State Purchasing Contract Savings** Significant procurement savings have been achieved through savings on large contract renewals, primarily via renegotiation of the Traffic camera Operations contracts as per buying smarter buying less.

Table 9.3: Departmental responses on actions taken in 2007-08 to achieve allocated savings targets

Department	Outline by departments of actions undertaken to achieve savings targets
Planning and Community Development	**Efficient Government Policy** Buying Smarter – Buying Less The Buying Smarter – Buying Less initiative supports one of the department's strategic directions of delivering excellent organisational performance. To achieve this, we have conducted a review of procurement to identify any opportunities to improve procedures and negotiated an arrangement with other departments to utilise service providers from an established panel. **Shared services** The department is also working with the Department of Treasury and Finance (DTF) in the expansion of shared services arrangements with IT, finance and payroll already part of shared services. In relation to library, fleet and other areas, the department will respond on receipt of DTF initiatives as indicated when the savings were introduced. In addition to these measures, the budget transfer of planning functions to the department included savings applied by the Department of Sustainability and Environment at the time. **Best practice in grants administration** The department has continued the implementation of eGrants (the department's electronic grants management system) and standard funding agreements.
Premier and Cabinet	**Efficient Government Policy** **Buying Smarter – Buying Less** The department applied the Buying Smarter-Buying Less efficiency target across all areas of the department in proportion to the size of output budgets. **Shared services** Shared services savings were applied to relevant services (no further details provided) **Best practice in grants administration** Savings were applied to Arts Victoria grant programs. **Advertising and consultancies** Savings were applied to the respective budgets (no further details provided).

Table 9.3: Departmental responses on actions taken in 2007-08 to achieve allocated savings targets

Department	Outline by departments of actions undertaken to achieve savings targets
Primary Industries	**Efficient Government Policy** **Buying Smarter – Buying Less** Targets were met through the increased use of and participation in the development of Whole of Government contracts, through savings found from general efficiencies across the department and by reducing investment in low priority areas in line with Government priorities. **Shared Services** As per Buying Smarter – Buying Less efficiency measure **Best practice in grants administration** Savings were achieved through management efficiencies in the administration of grant programs. **Fleet management** Savings were achieved through improved fleet management practices to achieve better use of corporately pooled vehicles and changing the mix of the fleet (i.e. the use of smaller and hybrid vehicles). **Advertising and consultancies** Reductions in advertising expenditure were achieved through more selective and innovative advertising approaches, such as the use of hotline/SMS technology. There has also been an estimated 20 per cent reduction in print costs through the use of Whole-of Government contracts.
Sustainability and Environment	The department advised the Committee that no further breakdown of its savings is available. The department does not record specific actions and the attributable savings. In most cases, savings are applied across the department and its portfolio entities on a pro-rata basis on their discretionary expenditure base. Divisions then take the necessary actions to achieve budgets.
Transport	The department advised the Committee it is not possible to disaggregate efficiency initiatives, especially by smaller items. The main savings initiative 'Buying Smarter – Buying Less' flowed through to the department in more efficient purchasing costs. But as the size and nature of this amount changes each year, it is not possible to break this down further.

Table 9.3: Departmental responses on actions taken in 2007-08 to achieve allocated savings targets

Department	Outline by departments of actions undertaken to achieve savings targets
Treasury and Finance	**Efficient Government Policy** **Buying Smarter – Buying Less** Savings were achieved by reviewing and reducing the number of catalogue items available on the e-Procurement system (ARIBA) and specifically reducing the number of stationery and associated products from around 6,500 items to 1800. Further savings were achieved from the Whole of Government's current and new State Purchase Contracts. **Shared Services** The department has reviewed the sharing of back office services and continues to impose the Government's 1 per cent growth cap in head office numbers (which includes corporate functions) which will ensure ongoing savings are achievable. **Fleet management** The department allocated and absorbed these efficiencies initiatives without detriment to the delivery of outputs. **Advertising and consultancies** The department has allocated consultancy savings to the outputs with a view that consultants only be engaged when the department does not possess the sufficient expertise to carry out particular projects. **Integrated ICT** Savings were achieved by combining the Office of the Chief Information Officer and Multi Media Victoria which further improved the whole of government ICT focus. This was identified as part of the machinery of government changes. To absorb the saving, the Government Services output has been re-structured to strengthen policy reform and engagement and to provide a stronger focus on creating value through innovation and continuous improvement. DTF continues to review the sharing of back office services.

Sources: Department and Agency Responses to the Committee's Financial and Performance Outcomes Questionnaire – Part One

SECTION C: PERFORMANCE OUTCOMES

CHAPTER 10: REPORT CARD BY DEPARTMENTS ON PORTFOLIO OUTCOMES ACHIEVEMENTS

Key Findings of the Committee:

10.1 **Four departments reported that their main program outcomes were achieved in 2007-08. All program outcomes identified by departments were linked to major government strategies, in particular *Growing Victoria Together* and *A Fairer Victoria*.**

10.2 **Six departments (Departments of Human Services, Innovation, Industry and Regional Development, Transport, Justice, Sustainability and Environment, and Treasury and Finance) reported that some of the key program outcomes were not achieved or only partially achieved in 2007-08.**

10.3 **The Committee was unable to assess the effectiveness of program outcomes, in some cases, due to the following reporting issues:**

- **reported program outcomes and related performance measures were not specifically identifiable in Budget Paper No. 3;**
- **only qualitative data was provided; and**
- **where quantitative data are provided, performance targets for the reported outputs were not clearly identifiable.**

10.4 **The Department of Human Services reported 1,393,180 admissions to public hospitals in 2007-08, against the target of 1,408,000. As of 30 June 2008., 37,529 were waiting for elective surgery.**

10.5 **The initial response to clients seeking support services for sexual assault was received within five working days of referral in 95 per cent of cases, against the target of 80 per cent.**

10.6 **The average waiting time for dentures was 13 months, against the target of 22 months.**

10.7 **The number of urgent patients (triage category 3) treated within the desirable treatment time increased by 5.1 per cent compared with the previous year. However, only 68 per cent of these patients were treated within the desirable treatment time - lower than the target of 75 per cent. The Department explained that the increase in urgent patients, along with a rise in influenza like illnesses, placed additional demands on the system's capacity to treat patients within the target time.**

10.8 **The Department of Education and Early Childhood Development reported that 86.1 per cent of the 20-24 year old cohorts completed Year 12 or its equivalent in 2007, an increase of 85.5 per cent from the previous year. The Victorian result for 2007 was higher than the national average of 83.5 per cent but still short of the target of 90 per cent in 2010.**

10.9 **The Department of Transport reported that total metropolitan public transport patronage exceeded 450 million in 2007-08, against the target of 423 million. The responses to the unprecedented increases in patronage levels included increasing the number of new trains on order from 10 to 18 and increasing the number of weekly services by more than 200.**

10.10 **A number of significant projects were being delivered under *Meeting Our Transport Challenges* including the upgrade of the Monash-Westgate freeway and SmartBus services. Eastlink opened five months ahead of schedule.**

10.11 **The Department of Transport identified that four program outcomes were not fully achieved in 2007-08.**

10.12 **Following the Department of Justice's review of gambling licences in Victoria, two separate lottery licences were granted and competition was introduced to the Victorian lotteries market for the first time. In addition, the single post 2012 keno and wagering licences have been/will be opened up to a competitive tender process.**

10.13 **227,299 *Working with Children* checks were conducted in 2007-08, against the target of 80,000.**

10.14 **The Department of Primary Industries finalised the agreements for three projects under the Energy Technology Innovation Strategy:**

- **$750 million Integrated Drying Gasification Combined Cycle demonstration plant;**
- **$369 million coal drying, combustion and carbon capture project; and**
- **$420 million large-scale solar photovoltaic demonstration facility.**

10.15 **The Department of Sustainability and Environment reported that preparation for the desalination plant began in 2007-08 – with the acquisition of land, commencement of Environmental Effects Statements studies and the establishment of an information office to engage with local communities, businesses and stakeholders.**

10.16 **The Department also reported that the Channel Deepening Project commenced in early 2008 and 17 per cent of the total project volume had been dredged as of 1 December 2008. The Office of the Environmental Monitor was established to independently monitor and assess the environmental performance of the Project.**

10.1 Introduction

The Government provides funding to departments and agencies, who in turn provide resources (inputs) into services (outputs) to achieve designated outcomes for the community.[210] Such outcomes include the provision of health services, schools and emergency services.

[210] Productivity Commission, *Report on Government Services 2009*, January 2009, p.12

The Committee gave departments the opportunity to outline five main program outcomes achieved in 2007-08 for each portfolio. Departments were asked to quantify achievements wherever possible against planned outcomes/targets, particularly as outlined in the 2007-08 Budget Papers. Departments were also asked to identify any significant program outcomes that were not achieved in 2007-08, together with the underlying reasons.

In addition, departments were asked to outline the approaches undertaken by them during 2007-08 to address seven critical future priorities for the Victorian public sector as identified by the State Services Authority.[211] The critical future priorities are outlined in section 10.4.

This approach aims to achieve a fair and balanced style of parliamentary reporting by incorporating departments' self analyses into the Committee's financial and performance outcomes report and complement the independent analyses of the Committee.

This chapter is primarily a summary of key achievements reported by departments. Quantitative data provided by departments are compared against set program outcome targets stated in annual reports and Budget papers, where available. Some of the outcomes relate to various issues which are covered in greater depth in other chapters of this report.

Full versions of the responses received from departments and agencies are located within Appendix 1.

10.2 Program Outcomes

10.2.1 Department of Human Services

The Department of Human Services set six objectives to address *Growing Victoria Together* and *A Fairer Victoria* goals.[212] The Department reported numerous outcome achievements in 2007-08 under each objective, which include.[213]

1. build sustainable, well managed and efficient human services:

- established statewide early intervention family services system. The number of operational Family Support Innovation Projects[214] was 79 at the end of 2007-08, against the target of 79;
- implemented food regulation reforms in February 2008;[215]
- under the Disability Act 2006 which became operational from 1 July 2007, provided framework for the delivery of supports based on a person's individual requirements, with stronger accountability to regulate and provide safeguards for service provision in relation to access, individual planning, complaints and review, residential rights, and quality outcomes.

211 State Services Authority, *The State of the Public Sector in Victoria 2006-07*, p.58

212 Budget Paper No.3, *Service Delivery* 2007-08, p.54

213 Department of Human Services, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 19 January 2009, p.66-83

214 Family Support Innovation Projects provide statewide coverage in early intervention services for vulnerable families.

215 The Department of Human Services did not report actual achievement against set target of $20 million reduction in administrative regulatory costs. The Department explained that reduction is anticipated to be realised in 2009-10.

2. provide timely and accessible human services:

- admitted 1,393,180 patients to public hospitals in 2007-08, against the target of 1,408,000;
- admitted 1,350,046 patients to 38 Victorian public hospitals with 24-hour emergency departments, against the target of 1,350,000;
- made available $60 million to provide elective surgery to more than 9,400 additional Victorians and to help hospitals increase elective surgery capacity – 37,529 people were waiting for elective surgery at 30 June 2008, 6.9 per cent lower than the number at 31 December 1999;
- increased ability of senior Victorians to live independently in their homes – Personal Alert Victoria provided 21,250 personal alert units each day across the State, against the target of 21,255; and
- improved timeliness of sexual assault support services – Sexual assault support services clients receiving an initial response within five working days of referral in 95 per cent of cases, against the target of 80 per cent.

3. improve human service safety and quality:

- protected children and young people from harm and abuse – 40,940 child protection reports were received, against the target of 41,600. Ongoing efforts combined with legislative reforms have resulted in Victoria maintaining almost zero growth in child protection notifications;
- continued provision of greater options for rural women during pregnancy and birth under the Rural Maternity Initiative; and
- upgraded infrastructures at bush nursing hospitals and small rural health services – $1.7 million was allocated in 2007-08 for 38 projects across six small health services, six bush nursing hospitals, and 14 bush nursing centres.

4. promote least intrusive and earliest effective care:

- provided family services to an average of 23,150 families, against the target of 22,150. Child Protection services also responded to 114 new child protection reports, and cared for 5,400 children in care on any given day; and
- maintained low rate of juvenile supervision in detention – Victoria has the nation's lowest rate of juvenile supervision in detention. The average daily number of young people in custody was 158.

5. strengthen capacity of individuals, families and communities:

- delivered *Go For Your Life*! community education program at over 260 schools across Victoria, covering over 41,000 schoolchildren, and over 230 community events.

6. reduce inequities through improving health and wellbeing, particularly for disadvantaged people and communities:

- funded establishment/expansion of pre-clinical teaching laboratory at La Trobe University's Bendigo campus;
- provided more dentures to disadvantaged older Victorians – Average waiting time for dentures was 13 months, against the target of 22 months. In addition, the number of patients receiving emergency dentures and general dentures increased from 43,860 to 51,817;
- assisted 33,450 with housing establishment funds, against the target of 31,450; and
- delivered 1,262 units of properties for long-term housing, against the target of 1,150 units.

The Department reported that two key program outcomes were not fully achieved in 2007-08:

1. while the number of urgent patients (triage category 3) treated within the desirable treatment time increased by 5.1 per cent compared with the previous year, only 68 per cent of these patients were treated within the desirable treatment time – lower than the target of 75 per cent. The Department explained that the increase in urgent patients, along with a rise in influenza like illnesses, placed additional demands on the system's capacity to treat patients within the target time; and

2. only 8,716 bond loans were provided against the Budget Paper 3 target of 11,500. Overall tightening of private rental is reducing turnover in the market and consequently reducing demand for *Bond Loan Scheme*. In response, the Department increased its funding for the Housing Establishment Fund, which assists eligible clients gain entry to or maintain private rental accommodation.

10.2.2 Department of Innovation, Industry and Regional Development

The Department of Innovation, Industry and Regional Development reported five main outcomes achievements in 2007-08.[216] The actual and target outcomes, which are linked primarily to the *Growing Victoria Together* Strategy, are outlined below:

1. established International Coordination Office (ICO) in June 2008 under the Seizing Global Opportunities Strategy, as targeted. The ICO is well in the process of delivering reforms in global markets. This includes an integrated response to businesses seeking to invest trade and migrate to Victoria. Activities are more tightly linked, across industry, education, tourism, primary industries and migration;

2. opened 13 Skills Stores217 (against the target of 13) following launch of initiative in July 2007. Skills Stores provide free advice to employers and individuals on skills recognition, workforce training options and provide school career advisers with training information;

3. delivered seven trade fairs (against the target of 6), through the ICT Trade Events and Export Assistance Program, and promoted ICT strengths to key international markets. 48 (against the target of 20) ICT companies accessed the ICT Trade Events and Export Assistance Program. Victorian ICT companies received more than 250 grants to promote their capabilities in over 25 countries, generating projected exports of more than $220 million;

4. funded 73 projects (against the target of 50) under the Small Town Development Fund. The fund supported various types of projects, including tourism, water saving and re-use, industrial estates, halls, community centres, parklands and rail-trails; and

5. assisted 325 small businesses (against the target of 300) with workforce planning assessments and action plans through the My Business My People Program. More than 7,000 small businesses participated in one or more programs, including Grow Your Business and Under New Management workshops.

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216 Department of Innovation, Industry and Regional Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.40-43

217 Five Skills Stores were established in July - December 2007 (Central Gippsland, Goulburn Ovens, Eastern, North Western and South Eastern Regions) and seven additional Stores by January 2008 (Ballarat, Bendigo, Geelong, Wodonga, Sunraysia, East Gippsland and South Western Victoria). The Store in Central Melbourne region was opened in July 2008. The Stores provide free advice to employers and individuals about skills recognition, workforce training and related information.

Committee Comment

The Seizing Global Opportunities strategy was released in October 2007. It aims to manage the State's international network and deliver reforms to ensure Victoria offers a seamless, integrated and rewarding experience to those seeking to invest in, trade with, migrate to or collaborate with the State from abroad. The reforms are expected to contribute more than $35 billion to the State's export target by 2015.[218]

Given the current economic climate, achieving all of the intended outcomes associated with the Seizing Global Opportunities strategy may prove to be challenging. As such, the Committee recommends that the department include in its annual report, a progress update of its performance in delivering the outcomes of this strategy. This should include, but not be limited to, the estimated contribution to the States Export target for 2015.

Recommendation 19: **The Department of Innovation, Industry and Regional Development disclose, in future annual reports, progress made towards achieving the outcome targets identified in the Seizing Global Opportunities strategy, including information on the estimated contribution of strategy reforms to the State's 2015 export target.**

The Department reported that two program outcomes were not achieved in 2007-08. These were the Keynote Speaker Program and the Consortia Programs, which were replaced with a revised list of programs under the new Agenda for New Manufacturing Strategy in December 2007.

10.2.3 Department of Education and Early Childhood Development

The Department of Education and Early Childhood Development reported the following outcomes relating to the five *Growing Victoria Together* goals and targets for education and early childhood services in 2007-08.[219]

1. four year old participation in kindergartens increased from 93 per cent in 2006 to 94 per cent in 2007 (against the target of 96 per cent);

2. more than 90 per cent (against the targets of 89-94 per cent) of Victorian students in Years 3 and 5 achieved the national benchmarks for reading, writing and numeracy in 2007. 94.9 per cent of Year 7 students met the benchmark for reading and more than 95 per cent met the benchmark for writing;

3. 86.1 per cent of the 20-24 year old cohorts completed Year 12 or its equivalent in 2007, an increase of 85.5 per cent from the previous year. The completion rate is higher than the national average of 83.5 per cent and tracking towards the target of 90 per cent in 2010;

4. funding of 131 schools under Stage One of the Victorian Schools Plan. Planning for two new selective entry schools in Melbourne's urban growth areas also commenced; and

5. implemented several *Go For Your Life* programs to promote the benefits of physical activity and health eating habits. 183 government schools received the second round of Healthy Start in Schools grants, while 805 schools received grants under the second phase of Free Fruit Friday program.

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218 Department of Innovation, Industry and Regional Development, Annual Report 2007-08, p.35

219 Department of Education and Early Childhood Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.25-26

Committee Comment

The following reported outcomes did not achieve set performance targets:

Table 10.1: Comparison of Actual and Target Outcomes

Program Outcome	2007-08 Target (a)	2007-08 Actual (a)	Variation
	(per cent)	(per cent)	(per cent)
Kindergarten participation rate	96.0	94.0	-2
Percentage of Year 5 students reaching	95.0	91.5	-3.5

Note: (a) Target and actual outcomes are in respect of the 2007 calendar year.

Sources: Department Annual Report 2007-08 and Financial and Performance Outcomes Questionnaire – Part One.

Recommendation 20: **The Department of Education and Early Childhood Development continue to improve kindergarten participation rate and Year 5 students' numeracy proficiency to meet/exceed set targets.**

10.2.4 Department of Transport

The Department of Transport reported five main outcomes achievements in 2007-08.[220] The actual and target outcomes, which are linked to the *Meeting Our Transport Challenges* Strategy, are outlined below:

1. increase public transport services:

- total metropolitan public transport patronage exceeded 450 million (against the target of 423 million) in 2007-08[221]. In addition, 25.1 million passengers (against the target of 21.3 million) used V/Line train and country bus services;
- the number of new trains on order increased from 10 to 18. In addition, the number of VLocity carriages under order for rural services increased to 50; and
- new train timetables were introduced to address significant increase in patronage. More than 200 new services across the network each week, including 6 new morning and 3 new afternoon services, were introduced.

220 Department of Transport, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, pp.69-72 and pp.75-77

221 Customer satisfaction index for train services (59.4) was lower than the minimum target of 65.4. The Department disclosed that this was due largely to poorer than expected service delivery (punctuality and reliability). It further explained that service delivery was affected by factors such as the Siemens braking issue, signalling problems, and increased patronage which resulted in crowding and delays.

2. deliver Meeting Our Transport Challenges:

- completion of Outer Metropolitan and Rural Arterial Road Program projects;
- completion of East West Link Needs Assessment;
- upgrade of additional stations to premium status,[222]
- development of SmartBus[223] services;
- provision of new/additional bus services; and
- upgrade of Monash-Westgate freeway.

3. Eastlink, Australia's largest urban road project, opened five months ahead of schedule;

4. channel deepening – In February 2008, the Port of Melbourne began deepening Melbourne's shipping channels to allow 14-meter draught vessels access at all stages. The project was 23 per cent complete at 30 June 2008, ahead of schedule and within all environmental limits; and

5. road safety targets – Road toll for the 2007 calendar year was 332 fatalities (against the target of 330). *Arrive Alive 2* aims to reduce the State's road toll by 30 per cent over the next 10 years.

Committee Comment

While metropolitan train patronage grew by 12.7 per cent to reach 201.2 million in 2007-08, the Committee noted that customer satisfaction index for train services (59.4 per cent) was lower than the minimum target score of 65.4 per cent. The Department disclosed that this was due largely to poorer than expected service delivery (punctuality and reliability criteria). It further explained that service delivery was affected by factors such as the Siemens braking issue, signalling problems, and increased patronage which resulted in crowding and delays.[224]

The Department reported that four key program outcomes were not fully achieved in 2007-08:

1. delay in Myki project due to software complexities;

2. increased dwell times at Metropolitan train stations due to strong patronage growth;

3. public transport mode share not tracking towards the goal of 20 per cent by 2020 as indicated in the Budget Papers; and

4. low proportion of freight on rail.

10.2.5 Department of Justice

The Department of Justice reported five main outcomes achievements in 2007-08.[225]

1. Working with Children checks – This Program aims to protect children from sexual and physical harm by ensuring that people who work or care for them have had their suitability to do so checked. 227,299 checks were conducted in 2007-08, against the target of 80,000;

[222] This requires the stations to be staffed from first to last train, and improvements to security and customer amenity.
[223] Smart Bus is a high frequency and reliable premium bus service with extended operating hours on major arterial roads, connections to activity centres and interchanging with rail networks.
[224] Department of Transport, Annual Report 2007-08, p.197
[225] Department of Justice, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.52-59

2. review Victorian gambling licences – Two separate lottery licences were granted and competition was introduced to the Victorian lotteries market for the first time. In addition, the single post-2012 keno and wagering licences have been/will be opened up to a competitive tender process;

3. reduce re-offending – Recidivism rates in Victoria fell for the fifth consecutive year;

4. protecting human rights – The Department implemented a communications plan to raise the awareness of the Charter of Human Rights amongst more than 270 Government bodies and provided training in charter operations for more than 800 legal advisers, policy officers and service delivery staff; and

5. enforcing compliance with consumer laws – Consumer Affairs Victoria (CAV) has realigned compliance and enforcement to maximise effectiveness in deterring those who breach consumer laws. In 2007-08, CAV undertook complex cases in the Supreme Court and won its first significant High Court application. It also actively pursued civil action, recovery for consumers and advocated for higher penalties.

The Department reported that two key program outcomes were not achieved in 2007-08:

1. the Sexual Assault Reform Strategy provided $1.373 million of capital funding and $458,000 of recurrent funding for a 'halfway house' for sex offenders exiting prison. Significant difficulties were experienced due to factors such as restrictions on the acceptable location, zoning and planning issues. Victoria has broadened the project focus to include a range of potential housing models and to move to a more integrated model; and

2. the Freedom of Information (FOI) Amendment Bill 2007 was defeated in the Legislative Council. The legislative amendments recommended by the Ombudsman were part of the FOI amendments introduced into Parliament by the Attorney-General.

Committee Comment

The Committee notes the extraordinary unanticipated number of working with children checks. Future targets for this program may need to be adjusted.

10.2.6 Department of Premier and Cabinet

The Department of Premier and Cabinet reported four main outcomes achievements in 2007-08, which are linked to *Growing Victoria Together* and *A Fairer Victoria* Strategies.

1. attendances at arts portfolio agencies – The number of users/attendances at all agencies was 8,875,000, against the target of 7,650,000. All agencies experienced slightly higher than expected attendances, particularly the State Library due largely to the popularity of its exhibitions;

2. online visitor access to arts portfolio agencies' websites – The number of online visitors to agency websites was 16,635,000, against the target of 13,570,000. All agencies experienced a growth in online visitors, particularly Public Record Office, Australian Centre for the Moving Image and State Library;

3. attendances at major performing arts companies – The number of attendances at major performing arts organisations was 1,190,000, against the target of 949,000. The Department explained that the increase was due to high attendance at performances by Melbourne Theatre Company; and

4. attendances at major festivals – The number of attendances at major festivals was 1,387,000, against the target of 1,270,000. The Department explained that the increase was due to high attendance at the comedy festival.

In its response to the Committee's Questionnaire, the Department did not identify any significant program outcomes which were not achieved in 2007-08.

10.2.7 Department of Primary Industries

The Department of Primary Industries reported five main outcomes achievements in 2007-08,[226] which are linked to various Government strategies, including the *Growing Victoria Together* and *Future Farming* Strategies:

1. *Future Farming* Strategy – Providing $205 million over four years, this whole-of-government Strategy aims to boost farm services, drive growth and innovation in response to climate change and other challenges. Milestones achieved in 2007-08 were:

- established an interdepartmental committee and Ministerial working group;
- established a new division within the department, Farm Services Victoria; and
- received endorsement from the Expenditure Review Committee for proposals across four government departments.

2. large-scale demonstration projects under the Energy Technology Innovation Strategy – Deeds of Agreement totalling $1.5 billion were signed for development of new clean energy technologies for Victoria:

- $750 million Integrated Drying Gasification Combined Cycle demonstration plant;
- $369 million coal drying, combustion and carbon capture project; and
- $420 million large-scale solar photovoltaic demonstration facility.

3. National Primary Industries Research Development and Extension Framework – The Department focuses its investment and research effort to areas or sectors of specific importance and competitive advantage to Victoria, within the context of developing the national framework;

4. assist rural businesses, families and communities through drought – The Department of Primary Industries collaborated with other agencies to develop and deliver on-ground initiatives to help rural communities under the State's $400 million drought assistance package; and

5. facilitate and attract new investment in the State's earth resources sector – $4 billion in new development projects for the resources sector were also announced, namely coal to urea fertiliser plant in the Latrobe Valley ($2.0 billion), Kipper gas project in the Gippsland Basin ($1.4 billion), Henry gas project in the Otway Basin ($275 million) and Murray Basin Stage 2 mineral sands project in Western Victoria ($209 million).

In its response to the Committee's Questionnaire, the Department reported that all significant program outcomes were achieved in 2007-08.

Committee Comment

The Committee noted that actual spending for the Department's strategic and applied scientific research output in 2007-08 ($168.7 million) was below budget ($216.3 million). The Department explained that this was due to the deferral of the Energy Technology Innovation Strategy Projects.[227]

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226 Department of Primary Industries, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 19 January 2009, p.29-31

227 Department of Primary Industries, Annual Report 2007-08 – Financial Statements & Appendices, p.44

10.2.8 Department of Sustainability and Environment

The Department of Sustainability and Environment reported eight main outcomes achievements in 2007-08, three relating to the water portfolio and five relating to the environmental/climate change portfolio.[228] The program outcomes are linked to various Government strategies, such as the *Our Water, Our Future* Strategy:

1. creating water – Planning and preparing for the Wonthaggi desalination plant began in 2007-08. The plant is expected to provide 150 gigalitres of rainfall-independent water each year.[229] Milestones achieved were:

- purchased three properties and served notifications of compulsory acquisition on another three;
- commenced a thorough Environmental Effects Statements studies; and
- established an information office in September 2007 to provide information and engage with the local community, businesses and stakeholders.

2. sharing water – The Victoria Water Grid projects continued to link water systems across the State. Works undertaken included:

- established Sugarloaf Alliance[230] to complete the $750 million Sugarloaf pipeline project. Community was consulted through an extensive process, and construction will commence once relevant planning approvals are obtained;
- obtained environmental approvals for reconnection of Tarago Reservoir to Melbourne's water supply network. The project will provide 15 gigalitres of water each year when completed in mid-2009; and
- determined preferred routes for the Geelong-Melbourne pipeline[231] and the Hamilton-Grampians pipeline[232], and completed the functional designs.

228 Department of Sustainability and Environment, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.22 & 23

229 Department of Sustainability and Environment, Annual Report 2007-08, p.37

230 Sugarloaf Alliance comprises Melbourne Water, GHD, Sinclair Knight Merz and John Holland. The project will transfer water savings from the Food Bowl Modernisation Project through a 70 kilometer pipeline from the Goulburn River to Sugarloaf Reservoir.

231 Construction will commence in 2010. The project will transfer up to 16 gigalitres of water to Geelong from Melbourne when completed.

232 Construction will commence in 2009. When completed, the project will supply up to 2 gigalitres of water each year to the Hamilton system from Rocklands Reservoir.

3. saving water – In February 2008, the State reached its 2010 target of recycling 20 per cent of the State's wastewater. Since 1999, the use of recycled water has increased from 14 gigalitres to 65 gigalitres per year.[233] Other works included:

- commenced construction of the Gippsland Water Factory. The factory will treat up to 35 gigalitres of industrial and residential waste per day from the La Trove Valley. Construction is due to complete by the end of 2008;
- completed Western Water's new Melton Class A Recycled Water Plant at Surbiton Park. 20,000 homes in the area will receive Class A recycled water from the plant by 2030;
- provided almost 32,000 Water Smart Gardens and Homes Rebates. Water savings from all rebates are estimated at more than 1,854 megalitres per year;[234]
- exchanged a total of 211,952 showerheads since the Showerheads Exchange program commenced in 2006; and
- more than 650 schools joined the Schools Water Efficiency program, against the target of 300[235]. The program helps schools connected to a reticulated water supply to save water, for example fitting flow-control valves, fixing leaking taps or cisterns. The program also promotes community's water awareness.

4. released the Green Paper, 'Land and biodiversity at a time of climate change' for public comment – An extensive consultation process was conducted following the release of the Green paper. A White paper setting the direction for Government policy and investment priorities in natural resource management, land health and biodiversity will be released in May 2009;[236]

5. commenced the channel deepening project following an extensive environmental assessment process – The Department's role now is to regulate the project's compliance with the relevant environment management plan and Coastal Management Act approval. The project is expected to complete by the end of 2009;[237]

6. fire management on public land – 690 bushfires occurred in Victoria during the 2007-08 fire season, representing a 7 per cent increase in the number of fires compared to the 30 year average. However, the area affected by fire was considerably less due largely to a heightened level of preparedness. The Department reported that 90 per cent of the fires were controlled to less than five hectares, against the target of 75 per cent;[238]

7. continued the Department's ecoMarkets program[239] – Since 2007, the BushBroker program has resulted in 39 trades valued at more than $3 million and the BushTender Program has resulted in agreements with 86 landholders, committing $3.2 million for on-ground works and land use changes; and

8. continued to raise awareness of climate change issues.

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233 Department of Sustainability and Environment, Annual Report 2007-08, p.40
234 ibid., p.42
235 ibid., p.186
236 ibid., p.70
237 ibid., p.73
238 ibid., p.191
239 The ecoMarket program is a range of market-based approaches that provide incentives to landlords to manage land and water in ways that conserve and enhance the environment.

9. developed a $41.6 million package of measures to help Victorians reduce greenhouse emissions, including:

- $33 million for Regional Solar Hot Water Rebates program to assist 15,000 households shift to solar power;
- $4.1 million for Low Income Retrofit program to assist vulnerable households reduce energy costs; and
- $4.5 million for extended Black Balloons campaign to increase community awareness and encourage behaviour change.

The Department reported that one key program outcome was not fully achieved in 2007-08. The demand for surface drainage systems reduced in 2007-08 due to the continuing drought conditions around Victoria. With the reduced rainfall, actual additional area protected from salinity by surface drainage (800 hectares) was lower than target (1,900 hectares).

10.2.9 Department of Treasury and Finance

The Department of Treasury and Finance reported five main outcomes achievements in 2007-08,[240] which are linked primarily to the *Growing Victoria Together* Strategy:

1. finalised inquiry into regulation of food sector, and presented the final report to the Treasurer;

2. progressed towards 25 per cent reduction in administrative burden[241] imposed on business and not-for-profit organisations – The *Reducing the Regulatory Burden* initiative is making progress towards its three-year target of $154 million in administrative burden reduction as part of the five year strategy;

3. delivered financial reports – 2008-09 State budget and budget update, annual financial report, mid-year financial report and quarterly financial reports within stipulated time;[242]

4. implemented efficient government initiatives and completed the Efficient Technology Services business case; and

5. extended investment management standard from ICT to all project types – The standard was included in the whole-of-government investment lifecycle guidelines.

Committee Comment

The Department estimated the administrative burden imposed by State regulation at $1.03 billion per annum. Based on this estimate, the following administrative burden reduction targets have been set:[243]

- $154 million per annum by July 2009; and
- $256 million per annum by July 2011.

The Committee noted that the Department of Treasury and Finance provides a progress report on the *Reducing the Regulatory Burden* initiative on an annual basis.

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240 Department of Treasury and Finance, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, pp.34 & 35

241 Administrative burden (red tape) refers to costs imposed on businesses and not-for-profit organisations that require them to demonstrate compliance with Government regulation. These costs include record keeping, licence application forms, compiling annual reports and assisting with inspections by regulators.

242 Department of Treasury and Finance, Annual Report 2007-08, p.27

243 Department of Treasury and Finance, *Reducing the Regulatory Burden – 2007-08 Progress Report*, p.8

The Department reported that two key program outcomes were not fully achieved in 2007-08:

1. the Department's public finance bill discussion paper was released in October 2008. The delay in the publication of this discussion paper was largely due to the complexity of the issues being considered and the options being developed; and

2. the review of the *Accident Compensation Act 1985* was due for completion in June 2008 but was presented to the Government in early 2008-09 to allow for the consideration of additional issues.

10.2.10 Department of Planning and Community Development

The Department of Planning and Community Development reported five main outcomes achievements in 2007-08,[244] which are linked primarily to the *A Fairer Victoria* Strategy:

1. improve physical health of Victorians – More than 28,000 people registered for the Premier's Active Families Challenge,[245] many of them were from families with young children. The three targeted local government areas reported higher participation rates, representing almost 20 per cent of all registrations. In addition, more than 740 grants were provided to local sporting clubs for the purchase of sports uniforms and footwear;

2. manage Melbourne's population growth – The Department's reforms to Victoria's land use planning aim to increase liveability, improve housing affordability and move towards long-term environmental sustainability. Such reforms include the application of the Urban Growth Zone across all broad acre land in growth areas, covering both residential and employment land;

3. strengthen and supported communities through creating/upgrading community facilities – 61 projects totalling $11.8 million were approved under the Victorian Community Support Grants Program[246]. These projects were both community driven and responsive to the Government's planning, community development and social inclusion priorities;

4. implement the *Aboriginal Heritage Act 2006* for better protection of Victoria's Aboriginal Heritage – Registered Aboriginal Parties[247] (RAP) are in place for approximately one-third of Victoria. In addition, more than 150 Cultural Heritage Management Plans were evaluated and approved within the 30-day legislated time frame. These plans recommend measures to be taken for high-impact activities in managing and protecting Aboriginal cultural heritage. The plans will also guide major developments, including large housing projects in metropolitan growth areas and major infrastructure projects; and

5. reduce barriers faced by Victorians with a disability – Under the *Bar None* Project,[248] more than 40 profiles of community members with a disability were printed in local newspapers and delivered to thousands of Victorian households. The coverage helped to create greater awareness of the disability support services available within local communities. In addition, journalists of Leader community newspaper were trained to avoid stereotyping when reporting on disability issues. An editorial charter on how disability issues will be covered in the future was also developed.

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244 Department of Planning and Community Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, p.34-37

245 The Premier's Active Families Challenge aimed to encourage more Victorians to become physically active and develop healthier eating habits. It involved undertaking 30 minutes of physical activities a day for 30 days during the six-week period.

246 Total grants comprised $358,663 in the Planning category, $2,609,900 in the Strengthening Communities category and $8,836,759 in the Building Community Infrastructure category.

247 Registered Aboriginal Parties are appointed by the Aboriginal Heritage Council as Aboriginal groups responsible for Aboriginal matters at the local level and ensure that Aboriginal cultural heritage matters are addressed prior to the construction phase of a new project. They also are responsible for evaluating and approving Cultural Heritage Management Plans.

248 The *Bar None Project* aims to recognise leadership demonstrated by local communities in tackling barriers experienced by people with a disability.

In its response to the Committee's Questionnaire, the Department reported that all desired program outcomes were achieved in 2007-08.

10.3 Issues in Program Outcome Reporting

Responses to the Committee's Questionnaire vary considerably in terms of detail and coverage. Seven departments provided written responses of 3-7 pages, whereas two departments (the Department of Transport and the Department of Justice) provided 16-page responses. The Department of Human Services' response comprised 31 pages.

All departments' reported that outcomes are linked to one or more of the major Government strategies, in particular *Growing Victoria Together* and *A Fairer Victoria*. However, the following reporting issues have rendered it difficult for the Committee to fully assess the effectiveness of program outcomes in some cases:

1. reported program outcomes and related performance measures are not linked to the State Budget Paper. For example, the Department of Education and Early Childhood Development reported that in 2007-08 progress was made under the Victorian Schools Plan and *Go For Your Life* Program. However, these outcomes and the related performance measures are not specifically identifiable in Budget Paper No. 3;

2. only qualitative data has been provided; and

3. where quantitative data was provided, performance targets for the reported outputs were not clearly identifiable. For example, the Department of Human Services reported that *Go For Your Life* community education programs were delivered at over 260 Victorian schools. However, the related performance targets were not disclosed.

Recommendation 21: **When reporting outcome achievements, departments include details of performance measures and targets for each program outcome that demonstrates effectiveness of service delivery. Performance measures and targets also be identifiable in the State budget paper.**

10.4 Critical Future Priorities

10.4.1 Background

The State Services Authority has identified seven critical future priorities for the Victorian public sector:[249]

1. engaging across jurisdictions and portfolio structures where effective responses to the increasingly complex needs of individuals, families and communities require the attention of multiple agencies;

2. preparing to meet workforce planning challenges (including developing leadership skills and capabilities);

3. building and strengthening citizens' trust in public institutions, so that those institutions have the operating legitimacy they require to make their activities credible and effective;

4. developing more responsive public services in a way that balance the advantages of economies of scale with greater personalisation and choice to citizens;

5. supporting the development of citizens' individual responsibility to achieve better outcomes, through providing a range of incentives;

6. developing systems and skills to work effectively with the private and non-profit sectors; and

7. fostering agility to support a high-performing public sector so that it can respond effectively in an environment characterised by change and uncertainty.

Departments were asked to outline the actions undertaken by them during 2007-08 to address these critical future priorities. Departments' responses, presented in an order which corresponds to the seven critical future priorities listed above, are summarised below. The Committee noted that a number of Departments failed to address all of the identified priorities in their response, or believed that some were not applicable.

Full versions of the responses received from departments and agencies are located within Appendix 2.

10.4.2 Engaging across Jurisdictions and Portfolio Structures

In Victoria, delivering policy outcomes is often dependent on action and cooperation that crosses jurisdictional and portfolio boundaries.[250] This section demonstrates the extent 'joined up' approaches are taken by departments in achieving common goals or responding to an identified community issue/need.

249 State Services Authority, *The State of the Public Sector in Victoria 2006-07*, p.58

250 State Services Authority, *The Future of the Public Sector in 2025*, p.37

Table 10.2: Departments' Responses to Critical Future Priority 1

Department	Response
Department of Human Services	**Health and Aged Care** 1.1 The Victorian and Australian Governments are working together to improve access to community care services for older Victorians, younger people with disabilities and their carers, through Access Points Demonstration Projects. Two projects are planned for Victoria – One in Eastern Metro Region and a second in Grampians Region. 1.2 The Aged Care Branch works with other departments to ensure initiatives to address elder abuse are common and consistent. For example, the rewritten With Respect to Age 2008 practice guide provides guidelines for health services and community agencies dealing with elder abuse. The guide will be supported by information sessions in 2009, targeting multiple health and community sectors and service types, including Commonwealth Government programs and private providers. 1.3 Another example is the *Go For Your Life* whole-of-government coordination delivered by Portfolio Services and Strategic Projects. 1.4 Cross divisional working group with representatives from Housing and Community Building and Mental Health and Drugs Divisions has been establish to develop joint programs and responses for consumers with mental illness who are homeless or at risk of homelessness. 1.5 The Multiple and Complex Needs initiative is an intensive, integrated service response targeting the most serious cases of individuals over 16 years with multiple and complex needs. **Community Services** 1.6 Active involvement in the National Child Protection Framework will address the complex issues that cut across jurisdictions and improve coordination. 1.7 The development of Improving Outcomes for Young Adult Offenders - A Framework for the Rehabilitation and Reintegration of Young Adult Offenders 2008-2012 provides the Department of Human Services and the Department of Justice with a consistent management framework for offenders aged 18-21. 1.8 Initiatives adopted or maintained to meet the needs of the extremely complex children, youth and families include: • Partnering Agreement between the Department of Human Services, and the Department of Education and Early Childhood Development for School Attendance and Engagement of Children and Young People in Out of Home Care initiative; • arrangements negotiated with General Practice Victoria for undertaking Initial Health Assessments for children coming into out of home care; • roll-out of consortia based Child FIRST integrated family services; • cross-program and inter-departmental cooperation to designate children in out of home care within the Victorian Immunisation Strategy 2009-2012; • prioritisation of access for child protection and family services clients to community health services; and • integration of other services, such as the Families and Parents with a Mental Illness and CPP&FS and Office of Housing Leaving Care Housing and Support initiatives. **Disability Services** 1.9 A whole-of-government review of Disability Services in 2007-08 examined services provided in the Department of Human Services, the Department of Education and Early Childhood Development, the Department of Planning and Community Development, and the Department of Justice. **Housing** 1.10 A Neighbourhood Renewal mainstreaming strategy has been developed to ensure longer term benefits of the program, by embedding elements of the program into the core business of State and local governments. Plans are in place in local councils of 15 program areas.
Department of Innovation, Industry and Regional Development	1.1 Citizen Access and Transformation works across government, focusing on transforming and simplifying citizens' experience when interacting with government agencies. 1.2 Under World Class Service, governments at all levels collaborate to service the small business sector in providing appropriate regulatory advice and information.

Table 10.2: Departments' Responses to Critical Future Priority 1

Department	Response
Department of Education and Early Childhood Development	1.1 Established Children's Services Coordination Board to: • review annually and report to the Minister for Children and Early Childhood Development and the Minister for Community Services on the outcomes of the Government's actions in relation to children; and • monitor administrative arrangements to support co-ordination of the Government's actions relating to children at local and regional levels. 1.2 Established Secretaries' Committee for Education and Training to: • identify how the Departments of Education and Early Childhood Development; Innovation, Industry and Regional Development; and Planning and Community Development fit into the Government's overarching education and training policy framework; and • consider policy issues where responsibilities of the Departments overlap. 1.3 Established joint Departments of Education and Early Childhood Development and Human Services executive meetings to: • consider the Departments' joint activities; • liaise on cross-departmental responsibilities; and • facilitate cooperation and resolve issues, particularly in relation to the health, development and wellbeing of Victorian's children and young people.
Department of Transport	1.1 The Department is represented at forums designed to bring together a co-ordinated approach to the complex needs of communities, such as: • Ageing in Victoria Policy Framework IDC and Youth Affairs IDC, chaired by the Department of Planning and Community Development; • Social Development IDC, chaired by the Department of Premier and Cabinet; and • Department of Sustainability and Environment Senior Executives Meetings. 1.2 The Department has worked closely with the Department of Planning and Community Development, the Department of Human Services and the Department of Education and Early Childhood Development in the planning and delivery of tailored, innovative transport solutions to small communities in regional Victoria that provide enhanced accessibility. This also includes the engagement of community groups, transport providers and local businesses. 1.3 The Department has worked closely with other departments and agencies (the Departments of Planning and Community Development, Premier and Cabinet, Treasury and Finance, Sustainability and Environment, Industry, Innovation and Regional Development, and VicRoads) to develop a comprehensive Victorian Transport Plan[251].

[251] The Victorian Transport Plan aims to fully integrate transport planning with the Government's land-use, sustainability, regional development, and economic capacity building strategies. It provides a 21st Century transport vision that addresses individuals and families' access, mobility and liveability requirements, and the wider economic and environmental needs of business and the community.

Table 10.2: Departments' Responses to Critical Future Priority 1

Department	Response
Department of Justice	1.1 The Department is involved in cross-jurisdictional and cross-portfolio collaborations in dealing with challenging issues of community concern. For example, the Department advised a cabinet sub-committee established to investigate issues relating to alcohol abuse and public safety. 1.2 As part of the Mental Health Reform Strategy, the Department is working closely with the Department of Human Services to further investigate co-morbidity factors and develop a strategic approach that identifies and responds to indicators of potential criminality. 1.3 Consumer Affairs Victoria (CAV) continues to champion a reform agenda in consumer protection: • involvement in the Productivity Commission review into the national consumer protection framework, including coordinating the Victorian Government's submissions to the review; • signing a Memorandum of Understanding between CAV and the Australian Competition and Consumer Commission. The Memorandum sets out a framework for cooperation between the two agencies to serve consumers' interests best, and promote fair trading and competition; • leading a whole-of-government strategy to improve protections for residents of rooming houses, caravan parks, residential parks and student accommodation; and • joining forces with the Building Commission in creating an advice and dispute resolution service for consumers dealing with the domestic building industry.
Department of Premier and Cabinet	1.1 The Department is engaged across-jurisdictions as a result of the Premier's leadership role on national reform. This included engagement in: • Council for the Australian Federation; • Council of Australian Governments; • Murray-Darling Basin (MDB) Water Reform Package; • Garnaut Review; and • Cabinet and Cabinet Committees. 1.2 One of the key roles of the Department involves developing and leading whole of government initiatives which aim to ensure effective outcomes for all Victorians. For example, the Office of Climate Change is responsible for policy and strategy which focus on longer term issues and economic, environmental and social impacts of climate change. It brings together the interests of multiple portfolios and also leads inter-jurisdictional policy development through the COAG Climate Change and Water Working Group.
Department of Primary Industries	1.1 The Department is strengthening whole-of-government and national collaborations through initiatives such as: • establishing the National Primary Industries Research Development and Extension Framework; • release of the whole-of-government Future Farming Strategy; and • developing and securing funding for a range of whole-of-government Future Energy initiatives, including funding for continued membership of the Australian Cooperative Research Centre for Greenhouse Technologies.
Department of Sustainability and Environment	1.1 The Department continues to partner with other departments, government agencies and private industry to ensure the community benefits from public policies. For example, the $115 million funding for drought affected communities involved a multi-agency response.
Department of Treasury and Finance	1.1 The Department as a central agency plays an integral role in providing advice across jurisdictions.

Table 10.2: Departments' Responses to Critical Future Priority 1

Department	Response	
Department of Planning and Community Development	1.1	The Office of Women's Policy continues to lead whole-of-government family violence prevention activity – The Government has worked closely with the community to reform the service system responding to violence against women. In addition, the Family Violence Statewide Advisory Committee and the Statewide Advisory Committee to Prevent Sexual Assault provide advice to the Government on all aspects of service reform. $75 million has been committed since 2005 to reform and integrate system responses to family violence. $39 million has been committed since 2006 to strengthen and improve the system response to sexual assault.
	1.2	The Office for Disability supported government departments and statutory authorities in the development and implementation of Disability Action Plans. The plans are seen as one of the most effective vehicles for organisations to improve access to goods and services, as well as employment opportunities.
	1.3	The Office of Senior Victorians is actively represented on many interdepartmental committees addressing community needs, particularly in relation to seniors.
	1.4	The Youth Affairs Interdepartmental Committee continues to be the predominant mechanism for co-ordinating reporting of actions under future directions.
	1.5	Melbourne 2030 engaged the expertise of all appropriate stakeholders and co-producers in 2007-08 in consultation, delivery and review. Other agencies, peak bodies, local government, developers and not-for-profit organisations were included.
Department of Parliamentary Services	The Department reported that this critical future priority is not applicable.	

Sources: Departmental Responses to the Financial and Performance Outcomes Questionnaire Part One.

10.4.3 Preparing to Meet Workforce Planning Challenges

The public sector provides a myriad of services to Victoria. Internal workforce demographics and external labour market conditions present various challenges for effective public sector workforce planning. These challenges include: [252]

- ageing workforce;
- recruitment and succession planning;
- specialised knowledge transfer and retention; and
- competitive remuneration.

While many public sector occupations experience shortages of skilled workers, healthcare and aged care, and infrastructure project management have been identified as two areas where the impact of shortages is considered to be extreme unless remedial actions are taken.[253]

252 State Services Authority, *The Future of the Public Sector in 2025*, p.37

253 State Services Authority, *The State of the Public Sector in Victoria 2006-07*, p.61

Table 10.3: Departments' Responses to Critical Future Priority 2

Department	Response
Department of Human Services	2.1 The Department's People Strategy was launched to transform leadership and people management across the Department. The Strategy aims to achieve a sustainable, high-performing, and well managed workforce, as well as an efficient and effective workplace. **Health and Aged Care** 2.2 The Department contributed to the establishment of the John Richards Initiative at La Trobe University. A Professor has been appointed to lead research through the initiative, with a particular focus on workforce issues in rural aged care services. 2.3 Workforce Development Project: blood-borne viruses (BBV)/sexual health was underway. The Project involved: • mapping of current workforce development activities available to the BBV and sexual health workforce; and • conduct of needs analysis to better inform future planning, priority setting and policy development for workforce development initiatives. **Community Services** 2.4 The Department is developing a Youth Justice Workforce Strategy. Initiatives were implemented to recruit, develop and retain skilled and experienced staff, including: • strengthening partnerships with universities and colleges; • implementation of overseas recruitment campaigns; • public tender for a Graduate Certificate in Child and Family Practice and Graduate Diploma in Child and Family Practice Leadership; • development of a capability framework for all child protection staff; and • implementation of strategic priorities for improved retention in child protection. 2.5 Community Sector Investment Fund was used to: • create a tool for competency based training and assessment; • promote community sector careers, particularly to students and mature aged workers; and • develop a staff bank and Portable Long Service Leave scheme. 2.6 The Workforce Planning and Development Strategy for the Provision of Support for People with a Disability – 2008-2013 and beyond is currently being finalised for release in early 2009. The Strategy aims to ensure a skilled and qualified workforce beyond 2013. 2.7 The implementation of the Workforce Development and Learning Strategic Plan resulted in an increased number of staff who are either qualified or undertaking a Certificate IV in Disability Traineeship Program, from 52 per cent in 2001 to almost 98 per cent in 2008. 2.8 Over 2,000 disability services staff undertook training in the Quality Framework for Disability Services in Victoria. Further learning and development will be provided in 2009. **Housing** 2.9 Work has commenced on the development of a comprehensive workforce strategy.

Table 10.3: Departments' Responses to Critical Future Priority 2

Department	Response
Department of Innovation, Industry and Regional Development	2.1 Developed the People Strategy 2008-09 – 2011-12, to attract and engage a quality workforce. Implementation of the Strategy will commence shortly. 2.2 Developed a Recruitment Guide for Managers to assist them in effective recruitment and selection techniques. The Guide will be marketed via a major promotional and training program for all managers in 2009. 2.3 Developed the 2007-08 Learning and Development Calendar in consultation with senior managers of the Department. The Calendar comprises several development programs aimed at addressing gaps in workforce skills. 2.4 Conducted the Mentoring Program with a record number of participants (62 pairs of mentors & mentees). This Program is now one of the largest mentoring programs run by a state government department. 2.5 Introduced the Accelerated Development Program for identified high-achieving and high-potential VPS5 and VPS6 staff to enhance leadership capability within the Department. 2.6 Continued participation in external executive development programs (e.g. ANZSOG, Cranlana, Victorian Leadership Development Centre Executive Leadership Program).
Department of Education and Early Childhood Development	2.1 Continued to implement the reform strategies outlined in the 2003 Blueprint for Government Schools. The Blueprint provides a framework for a highly effective Government school system, including a focus on building the skills of the education workforce to enhance the teaching and learning relationship and the capacity of school leaders. Significant progress was made in the implementation of the Blueprint initiatives in 2007-08, including implementation of 19 leadership professional learning programs to meet the development needs of principals and teachers. 2.2 Overall goal of the Early Childhood Workforce initiatives is to increase the quality of early childhood programs by increasing the supply of qualified staff, and to improve the skills and qualifications of early childhood education and care workers. The Early Childhood Teaching Scholarship Scheme and the Incentives for Early Childhood Teachers in Long Day-Care Scheme were introduced to encourage diploma-qualified staff to undertake a degree in early childhood education and to encourage recent early childhood teaching graduates to take up employment in long day-care settings.
Department of Transport	2.1 The Department has developed a workforce planning framework and is currently undertaking a workforce forecasting project to identify critical workforce needs. It is also strengthening staff development to meet future gaps with measures such as: • a new and improved mentor program; • introduction and continuation of the Rail Engineering Graduate Program (in partnership with the private sector); • partnership with Engineers Australia to offer DOT engineers participation in the Chartered Engineering Professional Development Program; • development and implementation of a six-module managers' training program. (Topics included: OHS, Budget, Difficult Conversations); • introduction of a specific accredited training program to develop core competencies required for regulatory roles in the specific statutory authorities; and • partnership with universities to offer industry work placements for IT graduates. 2.2 The Department is developing A Workforce Strategy for Road Freight Drivers and participating in the Australian Transport Council's national working group (led by the Northern Territory) on workforce planning and skills.

Table 10.3: Departments' Responses to Critical Future Priority 2

Department	Response
Department of Justice	2.1 The Department continued to provide corporate training through its learning service, which targets competencies needed for effective and productive contributions to the work of the Department. The Department subscribes to the VPS Leadership Framework developed by the recently established Victorian Leadership Development Centre. 2.2 The Department has been trialling new approaches to recruit high quality staff and meet the Department's objective of modernising and broadening the capabilities of its workforce. For example, the Department overhauled the way it recruits Sheriff's Officers in 2007-08. 2.3 The Department is an equal opportunity employer that values and actively supports a diverse workforce. For example, the Koori Recruitment and Career Development Strategy aims to increase the number of Indigenous people employed across all areas and all levels of the Justice portfolio. Recruitment strategies and workplace support networks are also in place for people with a disability and people from non-English speaking backgrounds.
Department of Premier and Cabinet	2.1 The Department is reviewing its workforce planning policies.
Department of Primary Industries	2.1 The Department has implemented a leadership development framework to build and foster leadership skills and capabilities. To date, 480 supervisors/managers have attended. 2.2 The Department has commenced assessing current and future capability requirements within the Department.
Department of Sustainability and Environment	2.1 A strategic workforce planning framework was implemented in 2007-08. This framework addresses key workforce issues such as recruitment and retention, career planning and succession planning and focuses on new and innovative responses.
Department of Treasury and Finance	2.1 The Department's People and Culture Strategy addressed the workforce planning challenges including the implementation of the Leadership Framework and the Capabilities and Behaviour Frameworks.
Department of Planning and Community Development	2.1 The Department has developed a Capability Framework for VPS employees and Executive Officers to describe and develop the capabilities required by the Department now and in the future. The Framework defines the behavioural capabilities, specialist knowledge areas and personal qualities required by staff to perform effectively in all roles across the Department. The Framework has improved workforce planning governance and capability by providing a common platform for recruitment, performance management, career planning, learning and development and organisational development.
Department of Parliamentary Services	2.1 Actions taken by the Department to meet its workforce planning goals included: • promoting Parliament as an employer of choice; • participating in professional forums to promote Parliament; • implementing flexible employment strategies and a variety of employment modes; • offering attractive employment conditions; and • putting in place professional development and progression plan for each staff, who are supported by an annual calendar of training. 2.2 The three parliamentary departments and parliamentary committee continue to adequately meet their critical workforce needs through current practices. Some short term and specific difficulties occur from time to time in recruiting staff in areas of shortage, such as accounting and finance, information technology and specialist skill areas required for specific research and investigations.

Sources: Departmental Responses to the Financial and Performance Outcomes Questionnaire Part One.

10.4.4 Building and Strengthening Citizens' Trust in Public Institutions

Trust in public institutions provides the operating legitimacy required to make the institutions' activities credible and effective. A high level of 'generalised trust' in the community reduces barriers to voluntary participation in programs that are based upon shared values and mutuality.

Public trust is dependent on the behaviour and integrity of public officials and their adherence to coherent values. It is therefore important for agencies to be bound by clearly articulated values and principles.[254]

Table 10.4: Departments' Responses to Critical Future Priority 3

Department	Response
Department of Human Services	**Health and Aged Care** 3.1 Your Hospitals website provides information on hospital processes, treatment times, patient experience, preventing illness and health workforce. **Community Services** 3.2 The Department adopted a quality assurance and quality improvement approach which involves a commitment to consultation and utilisation of client feedback, including formal complaints to improve services. This approach is enhanced by other initiatives, including: • appointment of Principal Child Protection Practitioner to undertake practice reviews and provide practice leadership; • appointment of Quality of Care Managers in each region to monitor and review practice outcomes for Child Protection clients; and • collaboration with Office of the Child Safety Commissioner to improve outcomes for vulnerable children, including implementing recommendations from Child Death Inquiries. 3.3 A regular cycle of compliance audits by community service organisations with the new *Children, Youth and Families Act 2005* registration standards. 3.4 The implementation of the *Disability Act 2006* to protect the rights, health and well being of people with a disability. **Housing** 3.5 Key policy information and program data are provided to the public regularly, including the public housing waiting list, and the Annual Summary of Housing Assistance Programs.
Department of Innovation, Industry and Regional Development	3.1 A Citizen Engagement Framework – Crafting the Dialogue between Government and Citizen in the 21st Century was drafted and is being refined as a guiding set of principles for any subsequent pilot of online citizen engagement. 3.2 Revised the Department's website to provide more comprehensive information relevant to the Department, strengthening citizens' trust, making its activities more credible and effective.
Department of Education and Early Childhood Development	This critical future priority was not addressed by the Department.

254 State Services Authority, *The Future of the Public Sector in 2025*, p.35

Table 10.4: Departments' Responses to Critical Future Priority 3

Department	Response	
Department of Transport	3.1	The Department has established a culture of openness, accountability and transparency. Its website contains information to keep citizens well informed. Examples include: the Code of Conduct for Victorian Public Servants; regulations, fees and fines; public transport timetables, facts & figures and performance; the East West Link Needs Assessment final report; the Don't Risk It railway crossing safety awareness campaign; a list of current, completed and future projects on the rail network; and the rail freight network review.
	3.2	VicRoads conducts surveys of Community Attitudes to Road Safety. The Department's Have Your Say website invites community submissions on initiatives such as the Metropolitan Bus Service Reviews, the Taxi Safety Camera specifications and the Transport Legislation Review. In addition, general feedback is also invited.
	3.3	The Department and transport operators provide real-time travel information to enable the community to make more informed travel choices. Examples include SMS TramTracker, travel time information on the VicRoads website, and electronic information boards with real-time arrivals information at railway stations, tram stops and bus stops.
	3.4	Recorded information about the Department and its projects is available in 12 community languages (in addition to English). In addition to the Multilingual Information Line, it provides translations and advertisements in community languages for many of key projects.
Department of Justice	3.1	Community confidence in justice institutions is being fostered in a number of ways. A major project has been underway since 2004 to review gambling licenses arrangements for the period beyond 2012, culminating in the announcement of changes to the structure of the gambling industry in Victoria in April 2008.
	3.2	There is ongoing work to ensure people in need can access legal aid and recent reforms provide for victim centred justice. These include enhanced victims assistance and counselling services, new support services for victims of sexual assault, and the establishment of Victoria's Child Witness Service.
	3.3	A network of 10 Local Aboriginal Justice Action Committees has been established as a grass roots extension to the Regional Aboriginal Justice Committees to develop closer relationships and build trust with local Indigenous communities currently experiencing poor justice outcomes. Community input has been sought via the Sentencing Advisory Council and the Victorian Law Reform Commission to a wide range of sentencing and law reform issues.
	3.4	To assure the community of protection from high security offenders, a new highly secure and state-of-the-art 'prison in a prison' was officially opened at Barwon prison in August 2007.
	3.5	CAV, Aboriginal Affairs Victoria, and the Office of the Registrar of Indigenous Corporations are working together to deliver a Governance Training Program to Indigenous-controlled community organisations in Victoria. As a result of the Program, more Indigenous community organisations have been contacting us for advice, help in resolving disputes, and for reviews of their constitutions.

Table 10.4: Departments' Responses to Critical Future Priority 3

Department	Response
Department of Premier and Cabinet	3.1 The Department has supported the Government to build and strengthen citizens' trust in public institutions by: • coordinating and publishing the Victorian Government's first Statement of Government Intentions, outlining the major legislative initiatives for 2008. This initiative provides Victorians with the opportunity to participate in the consultation process on the Government's legislative agenda for the year; • managing 10 Community Cabinet visits; • assisting the Department of Innovation, Industry and Regional Development in its public releases of quarterly reports, detailing costs and benefits of Ministerial overseas travel for the 2007-08 financial year; • advising the Premier on the Government's reference to the Public Accounts and Estimates Committee Inquiry into Strengthening Government and Parliamentary Accountability in Victoria; • supporting the project development for audio webcasting of all sessions of the Legislative Assembly and Legislative Council, including Question Time; • advising the Premier on the Government's introduction into Parliament of amendments to Freedom of Information legislation, that will implement reforms recommended by the Ombudsman; • publishing the names of those who serve on Government boards, and the remuneration bands for public board appointees on the internet; and • coordinating and developing a Climate Change Summit at Parliament House involving over 100 delegates from various sectors, including local government, business and non-government organisations to discuss how Victorians can best meet the challenge of climate change.
Department of Primary Industries	3.1 The Department is systematically reviewing its sectoral strategies in close consultation with key stakeholders and maintaining high standards of probity to achieve this goal.
Department of Sustainability and Environment	3.1 The Department is committed to open and transparent reporting, and provides updates on outcomes and service delivery in a number of ways. This includes the Department's Annual Report and its reporting in the Annual State Budget Papers. The Department also follows all requirements under the *Financial Management Act*, as well as any directions made by the Minister for Finance or the Department of Treasury and Finance, such as the Financial Management Compliance Framework.
Department of Treasury and Finance	3.1 Further enhancement of the Department's governance framework occurred in 2007-08.
Department of Planning and Community Development	3.1 The Officer of Women's Policy continues to actively work on increasing women's representation on government boards and committees to 40 per cent through the Diversity Register and the Women's Register. 3.2 The Victorian Disability Advisory Council (VDAC) operates in accordance with the *Disability Act 2006*. Comprised solely of people with disabilities or parents of children with disabilities, VDAC aims to reflect the disability sector and in turn, build trust in public institutions and initiatives being developed across government. Specifically, VDAC provides advice to the Minister for Community Services in the following areas: whole-of-government policy directions; strategic planning and the implementation of initiatives for persons with a disability; raising community awareness of the rights of persons with a disability and; monitoring the implementation of strategies for promoting inclusion and participation in the community of persons with a disability. The Council works with local and national community and government advisory councils to create opportunities for all Victorians with disabilities.
Department of Parliamentary Services	3.1 The Parliament has established an Education and Community Engagement Unit to develop a range of materials for schools. 3.2 House Departments regularly conduct public tours through the Parliament with material (delivered by Parliamentary Attendants as tour leaders) aimed at engaging the public and improving their awareness and trust in Parliamentary processes.

Sources: Departmental Responses to the Financial and Performance Outcomes Questionnaire Part One.

10.4.5 Developing More Responsive Public Services

Responsive services entail clear communication with clients (citizens) so that they understand their options, entitlements and obligations. Building more customer-oriented public services requires shifting attention away from meeting bureaucratic and organisational needs. However, service personalisation presents considerable challenges in an environment of limited resources.[255]

Table 10.5: Departments' Responses to Critical Future Priority 4

Department	Response
Department of Human Services	**Health and Aged Care** 4.1 Hospital Boards are informed by Community Advisory Committees, which contain members of the public. 4.2 The re-tender of Personal Alert Victoria service was for a new 5-7 year period, providing the opportunity to achieve economies of scale, and to optimise individual and service outcomes. 4.3 Two key milestones achieved in 2007-08 were the hosting of the National Promoting Independence Forum on behalf of all States and Territories, and the release of the discussion paper on the development of the HACC Active Service Model. **Community Services** 4.4 Services provided by the Children Youth and Families Division are mostly delivered sub-regionally to optimise economies of scale, inter-agency linkages within local communities and accessibility, in particular, the Child FIRST family services. 4.5 The Government committed $70 million over four years for additional individual support packages that will provide flexible support to enable people with a disability to live and participate in the community. The reorientation of disability services toward individual support packages is a deliberate reform under the State Disability Plan 2002-2012 to provide more responsive public services with greater personalisation and choice to citizens. **Housing** 4.6 The Victorian Government has been rolling out the Opening Doors initiative over the past year. This involves homelessness services banding together, pooling their resources and establishing clear homelessness access points out of existing services.
Department of Innovation, Industry and Regional Development	4.1 Under World Class Service, governments at all levels collaborate to service the small business sector in providing appropriate regulatory advice and information.
Department of Education and Early Childhood Development	4.1 Released the Blueprint for Education and Early Childhood Development on 2 September 2008. The Blueprint sets out actions in 20 areas to improve the education, development and wellbeing of all Victorian children and young people over the next five years. It has been developed in the context of the Government's goal to build a cohesive system to foster children's development and support families in their parenting. Such a system will also ensure smooth transitions through each phase of early development and school education. Consultation process for the development of the Blueprint began in April 2008 and included: • release of discussion papers as the basis for consultation with parents, early years staff and the wider early years community; • establishment of a dedicated website which generated over 40,000 page hits; • a summit with 283 attendees, public forums in Traralgon, Geelong, Dingley and Moonee Ponds (almost 700 attendees), and stakeholder roundtable discussions attended by over 100 representatives of unions, experts and academics, business and other key stakeholder groups; and • extensive feedback provided by local and international experts.

255 State Services Authority, *The Future of the Public Sector in 2025*, pp.35-36

Table 10.5: Departments' Responses to Critical Future Priority 4

Department	Response	
Department of Transport	4.1	The Department has been actively developing and delivering innovative public transport that provide for responsive services in areas without 'traditional' public transport services. These services are known as flexible or demand responsive services. Arising from the Hume/Moreland metropolitan bus service review, a new trial demand-responsive service commenced in July 2008 in the Gowanbrae area which has never had traditional fixed route bus services. This will provide for significantly enhanced connectivity for local residents.
	4.2	The Department has been conducting detailed planning for a new flexible bus service in the regional centre of Gisborne, which will include connections to the Bendigo rail line. The Gisborne flexible service will also allow residents to access retail and community services in the town centre.
	4.3	The Department is involved in the Australian Research Council Project: Investigating Transport Disadvantage, Social Exclusion and Well Being in Metropolitan, Regional and Rural Victoria. The Project is being undertaken by the Institute of Transport Studies (Monash University) in association with the University's Department of Social Work and the Department of Psychology, the Centre for Public Policy (Melbourne University), The Urban Transport Institute, The University of Westminster (UK) and the University of Ulster (UK). Project sponsors include the Australian Research Council, the Department of Transport, The Bus Association of Victoria, The Brotherhood of St Laurence, and The Interface Councils Forum of Melbourne.
Department of Justice	4.1	The Department has improved its responsiveness to differing community issues through its network of regional co-ordinators and participation in the Government's regional management forums. In addition, the co-location of services at four new Justice Service Centres opened this year is offering greater flexibility in addressing local client needs. The Department is now in the process of adopting a regional management structure to oversee and enhance the delivery of services across the State. This will align the Department with other departments and further facilitate a 'joined up' service delivery.
	4.2	The Department continues to develop its outreach services taking information to people who would not normally visit justice service centres or regional offices. For example, the Department travelled more than 3,000 kilometres and visited 12 towns in 2007-08. Consumer Affairs Online and Victorian Courts Online offer citizens accessible and tailored consumer and legal information and assistance, while the Victorian Registry of Births, Deaths and Marriages has a variety of online products and services that commemorate significant life events of all Victorians.
Department of Premier and Cabinet	The Department reported that this critical future priority is not applicable.	
Department of Primary Industries	4.1	A major part of the Department's role is to be an agent of beneficial change, to address the large challenges and opportunities of the future. Initiatives implemented by the Department seek to complement, not compete with, the private sector. A key aim of the Department is to act where markets have failed or are likely to fail, and important public benefits are likely to arise. For example, the current review of the Department's farm services aims to segment client base, and target services to greater areas of impact without crowding private providers.
Department of Sustainability and Environment	4.1	The Department focuses on providing outcomes and services that are responsive to community needs and expectations. One way this is achieved across Government is via community consultation processes. For example, the Department is currently developing a Land and Biodiversity White Paper, due for release in 2009. This White Paper has been informed by extensive community consultation and over 360 written submissions. This process has provided an opportunity for Victorians to provide input into the development of new policy approaches, which in turn allows the public service to be more responsive to community views.
Department of Treasury and Finance	4.1	Through providing high quality policy and financial advice to other government departments and agencies, the Department is assisting in developing a more responsive public service.
Department of Planning and Community Development	4.1	Youthcentral continues to lead the way in engagement of young Victorians using internet technology to offer information and engagement opportunities.

Table 10.5: Departments' Responses to Critical Future Priority 4

Department	Response
Department of Parliamentary Services	The Department reported that this critical future priority is not applicable.

Sources: Departmental Responses to the Financial and Performance Outcomes Questionnaire Part One.

10.4.6 Supporting Development of Citizens' Individual Responsibility

Supporting citizens to manage their behaviour and accept individual responsibility for issues that affect them is a difficult but important challenge. There are multiple tools that can be applied to encourage individuals to take responsibility for their actions. These tools can involve punitive, informative, supportive and incentive approaches.[256]

Table 10.6: Departments' Responses to Critical Future Priority 5

Department	Response
Department of Human Services	**Health and Aged Care** 5.1 The *Life! Taking Action on Diabetes* community-based lifestyle behaviour change programs were established for 25,000 eligible Victorians to reduce their risk of developing type 2 diabetes. **Community Services** 5.2 The Children Youth and Families Division's work ensures parents, families and communities are able to fulfil their responsibilities for the good care of children and young people. This includes the development of the Child FIRST family services to work with families and minimise the need for Child Protection involvement. When Child Protection intervention is required, the way of working is to engage the child's family in all the decision-making processes. **Housing** 5.3 26-week fixed rents for tenants were implemented in May 2008. This provides an extra incentive to seek employment, by giving up to 26 weeks' reprieve before rents increase once a job is secured.
Department of Innovation, Industry and Regional Development	5.1 The Department promotes a range of incentives that help industry and small businesses, *Time to Thrive* and *Moving Forward* are two examples.
Department of Education and Early Childhood Development	This critical future priority was not addressed by the Department.

256 State Services Authority, *The Future of the Public Sector in 2025*, p.36

Table 10.6: Departments' Responses to Critical Future Priority 5

Department	Response
Department of Transport	5.1 A mixture of enforcement, education and ticketing improvements has helped to reduce fare evasion on Melbourne's public transport system to 7.8 per cent, which is the lowest level since Metlink fare evasion surveys began. 5.2 The Department developed Maintaining Mobility: The Transition from Driver to Non-driver to inform discussion and identify practical actions to help senior Victorians maintain their mobility as they start to reduce the amount of driving they do or as they stop driving altogether. The Transition from Driver to Non-Driver, includes: • development of a Driver to Non-Driver Communication Strategy, through a partnership that includes the Transport Accident Commission, RACV, VicRoads, Department of Human Services & Department of Planning and Community Development; and • a pilot trial of an individualised mobility support service, to assist people to identify and utilise alternative transport and mobility options when they reach the stage of limiting their driving and transitioning to non-driving (Travel Assist - keeping you on the move). Partnership includes the RACV, VicRoads, Department of Human Services, Department of Planning and Community Development, Monash City Council and Mornington Peninsula Shire Council.
Department of Justice	5.1 A range of problem solving approaches to persistent offending is used to divert offenders out of the criminal justice system. For example, the Attorney General's Justice Statement 2 released in October 2008, outlines better approaches to the management of civil disputes, including stronger incentives for early resolution of disputes and sanctions for delay. In the field of emergency services, incentives are used to encourage volunteerism and promote preparedness for emergencies.
Department of Premier and Cabinet	The Department reported that this critical future priority is not applicable.
Department of Primary Industries	5.1 The Future Farming Strategy commits the Government to moving from business welfare during drought to encouraging greater preparedness by farm businesses managing climate and market risks. 5.2 The Victorian Energy Efficiency Target provides incentives for households to contribute to climate change mitigation through more energy efficient appliances.
Department of Sustainability and Environment	5.1 The Department is supporting the community to achieve better outcomes in areas such as water management and climate change through a range of incentives and rebates. For example, rebates for the installation of rainwater tanks, free exchange of existing shower heads for efficient models, rebates for the installation of solar hot water systems, installation of dual fuel toilets and the retrofitting of Office of Housing accommodation and low-income housing to assist with the reduction of energy consumption.
Department of Treasury and Finance	5.1 The Department reported that this critical future priority is not applicable.
Department of Planning and Community Development	5.1 Under the Officer of Women's Policy Centenary of Suffrage Grants, funding of $354,700 to more than 50 community groups and organisations has been provided to organise projects and events that explore and celebrate the centenary of women's suffrage.
Department of Parliamentary Services	5.1 As in the Department's responses 3.1 and 3.2 above.

Sources: Departmental Responses to the Financial and Performance Outcomes Questionnaire Part One.

10.4.7 Developing Systems and Skills

Public services are delivered on behalf of Government by a range of public, private and non-government providers. Supporting Government to work with the private sector to deliver these services requires multiple skill sets. Business-oriented skills need to be developed alongside the skills needed to operate in government environments with complex and competing demands.[257]

Table 10.7: Departments' Responses to Critical Future Priority 6

Department	Response
Department of Human Services	**Health and Aged Care** 6.1 The Department of Human Services, community service organisations and proprietors of participating private-for-profit Supported Residential Services are working together to implement the Supporting Accommodation for Vulnerable Victorians initiative. **Community Services** 6.2 The Youth Justice Service Delivery Model provides an integrated approach to the provision of intensive support and services to Youth Justice clients. The Model will be fully operational across Victoria from 1 January 2009. 6.3 Child protection, out of home care and family services involve working in partnership with the non-profit organisations. Formal structures for supporting this partnership include: • Child Protection, Placement and Family Services Strategy Group, a statewide group with membership from peak bodies, representatives of community service organisations, the Department's regional and central program, linked to Victorian Children's Council and with representation on sub-committee - Implementation and Monitoring of Children Youth and Families Act 2005; and • regional partnership structures convened by the Department with cross-agency representation. 6.4 Statewide and regional Reference Groups support virtually all significant projects, and many areas undergoing policy and program development. **Housing** 6.5 The Housing Registrar conducted registration rounds of non-profit housing organisations seeking to manage properties beyond December 2008. By 30 June 2008, eight housing associations and four housing providers were registered.
Department of Innovation, Industry and Regional Development	The Department reported that this critical future priority is not applicable.
Department of Education and Early Childhood Development	6.1 The Department implemented the Victorian Schools Plan. The Plan is the Government's 10 year plan to transform State education by funding the rebuilding, renovation or extension of every Victorian Government school. In December 2007, the Premier announced that Victoria would seek to deliver a number of new schools in growth areas of Melbourne through a public-private partnership (PPP). A PPP will deliver new schools with the best possible learning environments for students, promote community use of school facilities and free up teachers' time to focus on teaching. The use of a PPP to build new schools will complement existing procurement methods, not replace them.
Department of Transport	6.1 The Department has a track record of effective partnerships to deliver infrastructure projects and service delivery through public transport franchise managements with Connex and Yarra Trams. 6.2 As part of its re-organisation, the Department has recently boosted its stakeholder relationships capability, with the aim of engaging more effectively with community groups, local government, stakeholders and the general public to provide information about infrastructure projects and service changes, information about service disruptions and to seek their input on improvements.

257 State Services Authority, *The Future of the Public Sector in 2025*, p.36

Table 10.7: Departments' Responses to Critical Future Priority 6

Department of Justice	6.1 The County Court of Victoria and two of Victoria's prisons, Port Phillip Prison and Fulham Correctional Centre, are operated under public-private partnership arrangements with a focus on VFM and optimal risk allocation between the two sectors.
Department of Premier and Cabinet	The Department reported that this critical future priority is not applicable.
Department of Primary Industries	6.1 The Department works in collaboration with a wide range of private companies in order to facilitate large capital projects and programs. In 2007-08, this included projects such as: • facilitation of the $750 million HRL clean coal development near Loy Yang, which was announced in July 2008; and • development of a Biosciences Research Centre, which is being procured and delivered under the Victorian Government's Partnership Victoria policy.
Department of Sustainability and Environment	6.1 Many of the partners the Department undertakes its work with include private and not-for-profit organisations. For example, the Department effectively undertakes a range of work with Catchment Management Authorities and Committees of Management to deliver policies or share responsibilities in caring for public land. The Department also incorporates the Arthur Rylah Institute for Environmental Research which partners with private industry to provide strategic research and management advice to answer key questions affecting ecologically sustainable land or water management and resource use policies.
Department of Treasury and Finance	6.1 Through *Partnerships Victoria*, the Department is providing leadership in the development of public-private partnerships.
Department of Planning and Community Development	6.1 The establishment of the new Department provided the opportunity to review all structures, systems, practices and relationships to meet the goal of the new organisation.
Department of Parliamentary Services	The Department reported that this critical future priority is not applicable.

Sources: Departmental Responses to the Financial and Performance Outcomes Questionnaire Part One.

10.4.8 Fostering Agility to Support High-performing Public Sector

The public sector requires agility in its systems, structures and processes, to enable it to respond to future issues and external changes. Systems encompass budgeting, service delivery, information and communications, decision-making, employment and contract management systems. An agile public sector not only responds quickly to change, but also leads change.[258]

Table 10.8: Departments' Responses to Critical Future Priority 7

Department	Response
Department of Human Services	**Health and Aged Care** 7.1 Through the Aged Care Branch Beyond Compliance Strategy, the Department has a strategic approach to supporting safety and quality in public sector residential services. **Community Services** 7.2 The promotion of high performance within a constantly changing environment is how the Children Youth and Families Division expects to function on an ongoing basis and this is built into a range of learning and development strategies for staff. 7.3 As part of building workforce capacity, the Department also implements a range of professional development programs for disability services staff to respond effectively in a changing environment. **Housing** 7.4 The Housing & Community Building Division has developed a Regional Housing Workforce Strategy to target the training and development of housing office managers, housing service staff and new starters. In addition, a People Management Strategy has been developed to address learning and development needs and change management amongst head office senior managers.
Department of Innovation, Industry and Regional Development	7.1 As part of a high-performing public sector organisation, a number of divisions within the Department conducted and arranged their own business-specific skills development programs that assist in responding effectively, for example export skills, evaluation, policy development and climate change.
Department of Education and Early Childhood Development	7.1 By delivering leadership professional learning programs for Government schools, the Department continued to build the skills of the education workforce to enhance their teaching-learning relationship. The programs are targeted to meet the development needs of principals and teachers at different stages of their careers and in different contexts.
Department of Transport	7.1 The Department's leadership team has embarked on a mission of transformational change to create a culture with open and collaborative communication, and shared values. Its values are integrated into recruitment, performance management and development processes. 7.2 The Department has strengthened its stakeholder relationships capabilities, in order to provide a better capacity for scanning and anticipating the external environment, and being able to respond more rapidly, flexibly and appropriately. 7.3 Other initiatives include formal and informal Recognition and Reward programs, a range of work-life balance and corporate health and well being initiatives and a strong commitment to learning and development. Cultural change is seen as a very important component to building a high performing department which anticipate and respond to an environment of uncertainty.
Department of Justice	7.1 The Department recognises the importance of responding rapidly to critical, complex, cross-portfolio issues that require a 'joined-up' approach. Over the course of 2007-08, the Department dealt with a raft of complex and high profile policy issues, delivered on major social reforms and responded effectively to emergencies, including severe storms and intense bush fires.

258 State Services Authority, *The Future of the Public Sector in 2025*, p.37

Table 10.8: Departments' Responses to Critical Future Priority 7

Department	Response
Department of Premier and Cabinet	7.1 In 2007-08, the State Services Authority collaborated with the State Coordination and Management Council (SC&MC) to design and implement the proposal to establish the Victorian Leadership Development Centre (VLDC). The VLDC aims to foster, across the Victorian public sector, a culture of leadership development to promote a sustainable, highly skilled, diverse and professional leadership capacity which consistently meets the needs of the Victorian Government and its community. 7.2 The Department strongly supports challenging public sector programs like the Australia and New Zealand School of Government Executive Fellows Program and Executive Master of Public Administration. Other programs include offerings from Cranlana and the Williamson Foundation. Further, the Department Secretary is a Fellow of the Institute of Public Administration Australia and has spoken publicly on numerous occasions on the issue of leadership in the public service. 7.3 The new Performance Development and Progressions Plan and learning and development programs focus on professional and career development opportunities and support the Department's leadership role in fostering agility across the sector.
Department of Primary Industries	7.1 The Department has commenced identifying a number of collaborative and innovative tools that enable agility amongst its workforce. This includes collaborative tools that allow for knowledge sharing across IT infrastructure. The continued support for the Young Professionals Network also encourages collaboration and networking among staff. 7.2 The Department is also fostering innovation and collaboration through conferences and a more rigorous and interactive framework for planning the investment of the Department's resources.
Department of Sustainability and Environment	7.1 The Department holds the key role in the management of bushfires on public land. As a result, the majority of departmental staff are trained in a secondary fire role, such as general fire-fighting or positions within the Emergency Management Centre. This flexibility allows the Department in conjunction with other agencies who have similar practices such as the Department of Primary Industries or Parks Victoria, to quickly respond to incidences of fire while still maintaining the day to day operations of the Department.
Department of Treasury and Finance	7.1 The Department's People and Culture Strategy focuses on four key priorities of: • culture enhancement; • attraction and retention; • developing capability and wellbeing; and • continuous improvement of people management systems and processes. • The focus on these priorities will allow the Department to support a high performing public sector.
Department of Planning and Community Development	7.1 The establishment of the new Department provided the opportunity to review all structures, systems, practices and relationships to meet its goals. The new Department was operationalised very quickly to support the new direction. The learnings from this period are now informing change management practices across the organisation.
Department of Parliamentary Services	As in the Department's responses 2.1 and 2.2 above

Sources: Departmental Responses to the Financial and Performance Outcomes Questionnaire Part One.

CHAPTER 11: PERFORMANCE TARGETS

Key Findings of the Committee:

11.1 **The 10 departments delivered 120 major outputs at a total cost of $32.3 billion in 2007-08. This represents an expenditure additional to the budget estimate of $1.1 billion (4 per cent).**

11.2 **The Department of Primary Industries reported an extra expenditure of $126.8 million (26 per cent), the largest in percentage term. The Department of Human Services recorded an additional expenditure of $354.6 million (3 per cent), the largest in dollar term.**

11.3 **The Department of Innovation, Industry and Regional Development was the only department to report an expenditure under budget.**

11.4 **Overall, on a total output cost basis departments achieved or exceeded 78 per cent of their 2007-08 performance targets. The Department of Planning and Community Development met or exceeded 89 per cent of the Department's targets. The Department of Transport's 70 per cent was the lowest in this regard.**

11.5 **Three other departments that did not achieve or exceed more than 75 per cent of their performance output targets were the Department of Human Services (71 per cent), the Department of Education and Early Childhood Development (71 per cent), and the Department of Justice (75 per cent).**

11.6 **Overall, departments failed to meet 262 (22 per cent) of the 2007-08 targets. Of which, 95 targets (8 per cent) registered an under-achievement in excess of 10 per cent. The Department of Transport reported the highest number of material performance output variances. Twenty four (13 per cent) of the Department's outputs fell short of targets by more than 10 per cent.**

11.7 **Fifty-five (51 per cent) of the Department of Innovation, Industry and Regional Development's performance measures recorded an actual to target variation in excess of 10 per cent. Forty-4 per cent of these represent favourable variations, of which 23 were variations of 50 per cent or higher.**

11.1 Introduction

11.1.1 Background

The Government's annual budget paper on service delivery outlines the service delivery obligations of departments. Service delivery obligations are themed into output groups and the expected cost, quantity, quality and timeliness of these output groups are detailed as performance targets for the departments.

Part 7 of the Financial Management Act 1994 (FMA) requires that the annual report of a department to comprise a report of operations and financial statements. Section 4.2(k) of the Standing Directions of the Minister for Finance and Financial Reporting Direction 8B 'Consistency of budget and departmental reporting'[259] further require departments to compare output targets specified in the State budget with actual performance.

As part of the Committee's ongoing focus on improving accountability, this chapter examines the extent departments achieved set performance targets in 2007-08. Where relevant and appropriate, the Committee sought information that was not reported in the annual reports, and further clarification of points of interest or concern arising from a review of the available data.

11.1.2 Overview

In 2007-08, the 10 departments delivered 120 major outputs at a total cost of $32.3 billion. This represents an expenditure of $1.1 billion (4 per cent). The Department of Primary Industries reported an expenditure, in addition to budget estimates, of $126.8 million (26 per cent), the largest in percentage term. The Department of Human Services recorded an additional expenditure of $354.6 million (3 per cent), the largest in dollar term. On the other hand, the Department of Innovation, Industry and Regional Development was the only department reporting expenditure under budget.

The Department of Human Services received the largest share of output funding in 2007-08. Its actual spending of $12.5 billion made up 39 per cent of the State's total budget. In comparison, the Department of Treasury and Finance received $227.9 million in 2007-08, representing only 1 per cent of the total budget. The Department of Treasury and Finance reported the smallest actual-budget variance ($0.1 million or less than 1 per cent).

Overall, departments disclosed that they achieved or exceeded 78 per cent of their 2007-08 performance output targets. The Department of Planning and Community Development reported that it met or exceeded 89 per cent of its targets. The Department of Transport's 70 per cent was the lowest in this regard.

Departments disclosed that in total 262 (22 per cent) of the 2007-08 targets were not met. Of which, 95 targets (8 per cent) registered an under-achievement in excess of 10 per cent. The Department of Transport reported the highest number of material output variances. Twenty four (13 per cent) of the Department's outputs fell short of targets by more than10 per cent.

The Department of Planning and Community Development had 142 performance targets for one per cent of government expenditure. The Department of Education and Early Childhood Development, by contrast, accounted for 22 per cent of total government expenditure against 92 performance targets.

Recommendation 22: **The Department of Planning and Community Development review the number of its output performance targets identified in Budget Paper No. 3.**

[259] FRD 8B 'Consistency of budget and departmental reporting' has superseded FRD 8A following its withdrawal on 1 July 2008.

Table 11.1: 2007-08 Output Cost – Comparison of Actual and Budget

Department	2007-08 Budget	2007-08 Actual	Variation		Section Reference
	($ million)	($ million)	($ million)	(%)	
Department of Human Services	12,176.9	12,531.5	354.6	3	12.3.1
Department of Education and Early Childhood Development	6,834.4	7,136.1	301.7	4	12.4.1
Department of Transport	4,042.4	4,110.7	68.3	2	12.5.1
Department of Justice	3,155.3	3,216.0	60.7	2	12.6.1
Department of Innovation, Industry and Regional Development	2,205.8	2,150.9	-54.9	-2	11.7.1
Department of Sustainability and Environment	1,115.4	1,348.2	232.8	21	11.8.1
Department of Primary Industries	487.0	613.8	126.8	26	11.9.1
Department of Premier and Cabinet	523.6	533.5	9.9	2	11.10.1
Department of Planning and Community Development	380.3	421.1	40.8	11	11.11.1
Department of Treasury and Finance	227.8	227.9	0.1	<1	11.12.1
Total	**31,148.9**	**32,289.4**	**1,140.5**	**4**	

Sources: Department Annual Reports 2007-08 and Committee Questionnaire – Part Two.

Table 11.2: 2007-08 Performance Output Measures – Comparison of Actual and Target

Department	Performance Output Target Met/Exceeded		Performance Output Target Not Met (Variance ≤ 10%)		Performance Output Target Not Met (Variance > 10%)		Total	Section Reference
	Number	Percentage of Total	Number	Percentage of Total	Number	Percentage of Total	Number	
Department of Human Services	157	71	53	24	12	5	222	11.3.2
Department of Education and Early Childhood Development	66	71	26	28	1	1	93	11.4.2
Department of Transport	126	70	30	17	24	13	180	11.5.2
Department of Justice	74	75	21	21	4	4	99	11.6.2
Department of Innovation, Industry and Regional Development	91	84	9	8	8	7	108	11.7.2
Department of Sustainability and Environment	77	83	6	6	10	11	93	11.8.2
Department of Primary Industries	40	78	5	10	6	12	51	11.9.2
Department of Premier and Cabinet	75	85	6	7	7	8	88	11.10.2
Department of Planning and Community Development	126	89	6	4	10	7	142	11.11.2
Department of Treasury and Finance	78	81	5	5	13	14	96	11.12.2
Total	**910**	**78**	**167**	**14**	**95**	**8**	**1,172**	

Sources: Department Annual Reports 2007-08.

11.2 Department of Human Services

11.2.1 Total output costs

The total cost to deliver the Department's 14 major outputs in 2007-08 was $12.5 billion. This is $354.6 million (3 per cent) higher than budget. *Housing assistance* reported additional expenditure in excess of 10 per cent.

Table 11.3: Total Output Cost

Output	2007-08 Target	2007-08 Actual	Variation	
	($ million)	($ million)	($ million)	%
Acute health services	6,482.0	6,610.3	128.3	2
Ambulance services	417.0	457.8	40.8	10
Mental health	819.1	833.8	14.7	2
Aged and home care	858.5	884.7	26.2	3
Primary and dental health	314.5	326.3	11.8	4
Small rural services	406.0	431.1	25.1	6
Public health	315.3	347.2	31.9	10
Drug services	116.8	121.3	4.5	4
Disability services	1,070.2	1,162.3	92.1	9
Child protection and family services	468.4	510.0	41.6	9
Youth services and youth justice	111.1	101.3	-9.8	-9
Early years services	125.5	18.1	-107.4	(a)
Concessions to pensioners and beneficiaries	288.8	300.0	11.2	4
Housing assistance (c)	383.7	427.3	43.6	11(b)
Total	**12,176.9**	**12,531.5**	**354.6**	**3**

Notes: *(a) Early years output was transferred to the Department of Education and Early Childhood Development effective from 1 September 2007 as a result of machinery of government changes.*

(b) Actual expenditure reflects additional State funding provided for the Victorian contribution to the National Rental Affordability Scheme[260].

(c) Excluded 'house ownership and renovation assistance' which is fully funded by Office of Housing's internal revenue[261].

Sources: *Department Annual Report 2007-08.*

260 Department of Human Services, *Annual Report 2007-08*, p.160

261 ibid

11.2.2 Performance against output targets

The Department achieved or exceeded 157 (71 per cent) of its 222[262] performance output targets reported in 2007-08. However, 37 (17 per cent) of the performance measures recorded an actual-target variation in excess of 10 per cent. Twelve (5 per cent) of these were unfavourable variations where the Department failed to achieve the related performance targets. In addition, the Department's current reporting system was unable to generate the actual data for a new performance measure[263].

The Committee sought further information about the following output variations reported in the 2007-08 Annual Report.

Table 11.4: Performance Output Variation

Output	2007-08 Target	2007-08 Actual
Admitted Services Emergency patients transferred to a ward within 8 hours (per cent)	80	67
Semi-urgent (Category 2) elective surgery patients admitted within 90 days (per cent)	80	70
Emergency Services Emergency Category 3 treated in 30 minutes (per cent)	75	68
Drug Prevention and Control GPs trained to prescribe pharmacotherapy (number)	70	40
Drug Treatment and Rehabilitation Alcohol and drug workers accredited (per cent)	85	64

Source: Department of Human Services Annual Report 2007-08, pp.140-1, 150

The Department responded to the Committee's Questionnaire as follows:[264]

1. Emergency patients transferred to a ward within 8 hours

Q: What was the impact on health outcomes for those emergency patients not transferred to a ward within 8 hours? What strategies have been implemented to improve performance against this measure in 2008-09?

A: Emergency patients who are ready for transfer to a ward bed, must wait in the emergency department until a bed becomes available. All patients in the emergency department are under medical and nursing care until they are transferred to a ward.

In 2005-06, the Government allocated $21.2 million over four years to improve access and provision of timely care at Victorian hospitals. This included provision of observation medicine, emergency department care coordination, medical day-treatment centres and medihotels.

262 This excludes the performance targets for *total output costs* and outputs transferred to the Department of Education and Early Childhood Development as a result of machinery of government changes.

263 The performance measure is '*compliance with requirement to formally review each child subject to more than two reports in a 12 month period*'.

264 Department of Human Services, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.3-8

A Winter Demand Management Strategy to meet peak demand for health services during the winter period has been developed. This will help open additional beds, provide focused services, and enable a flexible response to seasonal issues. The Strategy consists of:

- emergency clinical assessment and treatment in-reach service to residential aged care facilities at 10 health services;
- 100 step-down beds across 16 health services;
- ICU liaison nurse services to increase ICU capacity;
- review and revision of HEWS and bypass guidelines for ambulance services and emergency departments; and
- plans to identify strategies and services to better manage demand over winter.

In 2008-09, the Government announced a $321.5 million package over four years to improve bed access and patient flows. Funding will be directed to providing:

- 100 acute hospital beds;
- four ICU beds and two NICU beds;
- 170 sub-acute beds; and
- diversion programs such as short stay capacity, community based rehabilitation and additional emergency department diversion under the Hospital Admission Risk Program.

2. Semi-urgent (Category 2) elective surgery patients admitted within 90 days

Q: What was the impact on health outcomes for those semi-urgent elective surgery patients not admitted within 90 days? What strategies have been implemented to improve performance against this measure in 2008-09?

A: Patients who require elective surgery are individually assessed by surgeons and allocated an urgency category. Patients categorised as Category 2 require surgery for conditions that may cause some pain and dysfunction, but are unlikely to deteriorate quickly or become an emergency. For example, hip joint replacement or hernia repair.

Health services are responsible for managing patients on the elective surgery waiting list and patients are scheduled for surgery according to their clinical priority. Health services are required to routinely monitor patients to determine whether they still require surgery, and whether there has been a change in their clinical circumstances. Patients waiting for elective surgery also have their clinical condition regularly monitored by their general practitioners. Patients in consultation with their general practitioners may initiate a specialist review of their condition and urgency category if required.

This system of active management and review ensures that patients with the greatest clinical priority are treated in a timely manner and that those waiting are clinically stable. Health services monitor the quality and safety of the services provided to patients. This includes local clinical audit and review of performance against clinical indicators. There are also systems in place for reviewing sentinel and adverse events.

In 2008, the State and Commonwealth Governments provided funding of $60 million for additional activity, capital works and equipment improvements. The additional investment in elective surgery has resulted in an increase in the number of patients treated. There has been a particular focus on the treatment of patients who have waited longer than clinically recommended.

The Commonwealth Government also provided $36.8 million funding ($25.2 million in 2008-09 and $11.6 million in 2009-10) to improve elective surgery waiting times. This has been allocated for facilities redevelopment capital projects at Melbourne Health,

Southern Health, Peninsula Health, Western Health and Barwon Health, the purchase of additional equipment and new technologies and for service improvement projects.

The Department has also continued to develop policies and programs and implement new models of care to improve waiting times for surgery.

Committee Comment

Admitted services represents the Department's largest output. The cost of this output in 2007-08 was $5.2 billion, making up more than 40 per cent of the Department's total output cost for the year. Outcome performance data indicates that two outcomes have deteriorated over the last two years:

Table 11.5: Admitted Services Performance Measurers

Performance Measure (Timeliness)	2006-07 and 2007-08 Target	Actual	
		2006-07	2007-08
	(%)	(%)	(%)
Emergency patients transferred to a ward within 8 hours	80	71	67
Semi-urgent (Category 2) elective surgery patients admitted within 90 days	80	75	70

Sources: Department Annual Reports 2006-07 and 2007-08.

While the Department is commented for achieving 100 per cent admission for urgent (Category 1) elective surgery patients within 30 days, it should now consider setting a new target for 2009-10 as the target of 30 days has been consistently met since 2000-01.

3. Emergency Category 3 treated in 30 minutes

Q: What was the impact on health outcomes for those Emergency Category 3 presentations not treated in 30 minutes? What strategies have been implemented to improve performance against this measure in 2008-09?

A: All patients who come to an emergency department are triaged. Category 3 conditions are triaged to be treated within 30 minutes of attendance but may not be treated within the parameters of this target due to numbers of more urgent cases. While patients are waiting, they are under constant clinical observation and where necessary, may be re-triaged and treated more quickly to avoid adverse clinical outcomes.

Strategies supporting this target include (see answers to question 1 above):

- expansion of new models of patient care at Victorian hospitals to improve access and provision of timely care;
- Winter Demand Management Strategy;
- Government funding ($321.5 million over 4 years) to treat additional patients.

4. GPs trained to prescribe pharmacotherapy

Q: *In relation to 2006-07 and 2007-08, the number of GPs trained to prescribe pharmacotherapy has remained constant at 40. What factors led to the new marketing and recruitment program commencing later than anticipated? What were the consequences of the lower than expected number of GPs trained to prescribe pharmacotherapy in 2007-08?*

A: The marketing and training contract was unexpectedly delayed as the preferred supplier altered the terms of their bid. As a consequence, further assessment, analysis and negotiation were required to ensure consistency with the Department's purchasing guidelines.

Following an extended period of pharmacotherapy training to GPs and Registrars across Victoria, recruitment of new course participants waned due to the limited supply of GPs and Registrars willing to provide pharmacotherapy services. Extensive course marketing through direct contact with GP practices and Divisions of General Practice, as well as a series of marketing activities undertaken through the Royal Australian College of General Practice were undertaken to reverse this trend.

The January 2009 Pharmacotherapy Census recorded 11,950 current clients, representing a 30.3 per cent increase in the past five years. The pharmacotherapy trainee situation will continue to be monitored.

5. Alcohol and drug workers accredited

Q: *How does the Department propose covering the entire Alcohol and Other Drug (AOD) sector in future with regard to obtaining reliable data (rather than a snapshot) concerning the extent of staff holding a qualification in a relevant health or minimum qualification area? What other data does the Department have at it disposal to be satisfied that adequate qualification standards in the AOD sector were met in 2007-08?*

Shaping the Future – The Victorian Alcohol and Other Drug Quality Framework was launched in April 2008. The Framework outlines a set of specifications and minimum standards required of all funded drug treatment services in Victoria. It requires that all funded services be accredited or work toward accreditation through an appropriate quality accreditation program. Services report to the Department on their progress with regard to accreditation, and provide confirmation once accreditation has been granted.

In addition, the Framework requires all agencies funded by the Department to develop effective workforce policies and practices. The requirement to adhere to the standards outlined in the Framework will be included in the service agreements agencies enter into with the Department. The Department will then monitor compliance as part of the regular annual contract review cycle.

In lieu of agreed, consistent standards and mindful of the reporting burden of agencies, survey result was the principle data used to measure the extent to which qualifications standards in the Alcohol and Other Drug sector were met in 2007-08. However, a number of additional data collection measures are being implemented to strengthen the Department's ability to monitor performance. These measures include listing of all agencies achieving accreditation with an appropriate quality accreditation program, and analysis of compliance against standards through the Department's Annual Monitoring Framework.

11.3 Department of Education and Early Childhood Development

11.3.1 Total output costs

The total cost to deliver the Department's nine major outputs in 2007-08 was $7.1 billion. This is $301.7 million (4 per cent) higher than budget. The Committee noted that none of the outputs registered a variation from budget in excess of 6 per cent.

Table 11.6: Total Output Cost

Output	2007-08 Target	2007-08 Actual	Variation	
	($ million)	($ million)	($ million)	%
Child health and support services	73.4	70.7	-2.7	-4
Early childhood education and care	170.2	168.0	-2.2	-1
Early childhood intervention	49.5	48.1	-1.4	-3
Early years	2,192.2	2,308.5	116.3	5
Middle years	2,161.1	2,295.7	134.6	6
Later years and youth transition	1,423.5	1,475.3	51.8	4
Services to students	717.2	721.9	4.7	1
Adolescent health services	9.2	9.5	0.3	3
Policy and regulation	38.1	38.4	0.4	1
Total	**6,834.4**	**7,136.1**	**301.7**	**4**

Sources: Department Annual Report 2007-08.

11.3.2 Performance against output targets

The Department achieved or exceeded 66 (71 per cent) of its 93265 performance output targets reported in 2007-08. However, 23 (25 per cent) of the performance measures recorded a variation in excess of 10 per cent. Only one of these was an unfavourable variation.

The Department did not report actual data for four performance measures. These performance measures relate to percentages of Years 3 and 5 Indigenous students reaching national benchmarks for reading and numeracy. The Department explained that the data was not available at the time of submission to the Department of Treasury and Finance[266]. However, the Committee noted that similar data for other students were included in the Department's annual report. The Committee believes data for Indigenous students should also be obtained for timely inclusion in future reports. Further information on Indigenous student performance can be found in Chapter 16, Quality Health and Education.

265 This excludes the performance targets for *total output costs* and three outputs which are no longer required or assessed – *Student drug education learning outcomes index*, *reader satisfaction with news publications* and *recommendations of non-government school registration reviews approved by Registered Schools Board.*

266 Department of Education and Early Childhood Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.22-23

11.4 Department of Transport

11.4.1 Total output costs

The total cost to deliver the Department's 15 major outputs in 2007-08 was $4.1 billion. This is $68.3 million (2 per cent) higher than budget. Five of the output areas reported additional expenditure in excess of 10 per cent, whereas two others reported an under-target expenditure in excess of 10 per cent. *Freight, logistics, ports and marine development* reported the largest extra expenditure (146 per cent), while *public transport infrastructure development* recorded the largest expenditure (36 per cent) below budget.

Table 11.7: Total Output Cost

Output	2007-08 Target	2007-08 Actual	Variation	
	($ million)	($ million)	($ million)	%
Public transport safety and regulation	20.0	35.8(a)	15.8	79
Road safety and regulation	84.9	135.1	50.2(b)	59
Vehicle and driver regulation	131.7	138.1	6.4	5
Marine safety and regulation	19.9	14.2	-5.7(c)	-29
Transport and marine safety investigations	1.8	1.8	-	-
Infrastructure security and emergency management	4.4	4.5	0.1	2
Integrated metropolitan public transport services	1,772.7	1,763.5	-9.2	-1
Rural and regional public transport services	603.4	606.2	2.8	1
Specialist transport services	221.3	225.9	4.6	2
Integrated transport policy and planning	28.3	36.2	7.9	28
Public transport infrastructure development	114.1	72.9	-41.2(d)	-36
Road system management	868.6	871.4	2.8	1
Traffic and transport management	125.2	115.4	-9.8	-8
Freight, logistics, ports and marine development	26.9	66.3	39.4(e)	146
Public construction and land development	19.2(f)	23.4	4.2	22
Total	**4,042.4**	**4,110.7**	**68.3**	**2**

Notes: *(a) 2007-08 actual included additional funding approved post State budget for Level Crossing Safety Package 2007[267].*

(b) Variation primarily reflects reclassification of activities between operating and capital[268].

(c) Variation reflects changes in the timing of payments under the Boating Safety and Facilities Program[269].

(d) Variation primarily reflects revised project schedule for Public Transport Ticketing Solution[270].

267 Department of Transport, *Annual Report 2007-08*, p.190
268 ibid., p.191
269 ibid, p.193
270 ibid, p.203

(e) Variation primarily reflects country rail freight maintenance funding approved post-budget and reclassification from capital[271]*.*

(f) 2007-08 target excluded costs of transit cities functions which were transferred to the Department of Planning and Community Development as part of machinery of government changes in 2007-08[272]*.*

Sources: Department Annual Report 2007-08.

The Committee sought further information about material variations in the Department's reported output costs. The Department responded to the Committee's Questionnaire as follows[273].

1. Public transport safety and regulation

Q: The Department's Annual Report stated that this figure included additional funding for Level Crossing Safety Package 2007. Please provide details of the additional funding provided to the Level Crossing Safety Package 2007 including the additional funding provided and the purpose of the additional funding.

In addition, works on the level crossing upgrade program was accelerated in 2007-08 with 46 upgrades being completed against a target of 40. Please comment on the accuracy of the Department's estimates planning for this output.

A: On 25 June 2007, the Government announced the $33.2 million Level Crossing Safety Package. The Package contained extra safety measures in addition to the annual program, including automated advanced warning signs, rumble strips and a trial of red light cameras. Of the $33.2 million budget, $9.5 million was spent in 2007-08 on operating costs and is included in the output cost figure.

Additional spending in 2007-08 reflected the Government's commitment to improving level crossing safety across Victoria.

2. Marine Safety and Regulation

Q: Please detail any anticipated impacts of the revised timing of payments under the Boating Safety and Facilities Program (BSFP) on the delivery of this program.

A: All grants awarded under the BSFP are subject to terms and conditions of funding. In the past, no payments were made until the Grants Administration Team was satisfied that the grant recipients had adhered to all stipulated conditions and provided evidence of milestone achievement or project completion. These requirements contributed to the delay in making grant payments.

To achieve a more efficient allocation and distribution of grant funding, Marine Safety Victoria has introduced a process for upfront payments. Under this system, all applicants are assessed for possible risk in areas such as the ability to effectively undertake the projects and the likelihood that a project will be completed within cost and time constraints.

In addition, each grant awarded under the BSFP has an allocated Grant Project Officer (GPO) who focuses on developing a relationship with the grant recipient. This process allows the GPO to identify any emerging issues which might impact on timely project delivery and has enhanced the capacity of grant recipients to implement projects effectively and in a timely manner.

271 ibid, p.207
272 ibid, p.208
273 Department of Transport, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.2-4

3. Integrated Transport Policy and Planning

Q: Please provide a detailed explanation for this cost variation.

A: Additional activities were undertaken in 2007-08, including:

- Victorian Integrated Survey of Travel and Activity;
- transport energy policy development, particularly in relation to climate change; and
- coordination of the transport component of Victoria's contribution to Commonwealth and The Council of Australian Governments investment and reform programs.

11.4.2 Performance against output targets

The Department achieved or exceeded 126 (70 per cent) of its 180[274] performance output targets reported in 2007-08. However, 42 (23 per cent) of the performance measures recorded a variation in excess of 10 per cent. Twenty four (13 per cent) of these were variations where the Department failed to achieve the related performance targets.

The Committee sought further information about the following output variations reported in the 2007-08 Annual Report:

[274] This excludes the performance targets for *total output costs* and *application for a material change (to a safety management system of an accredited rail organisation) reviewed within 30 days.* The latter measure was discontinued as under the current Rail Safety Act 2006, the Director of Public Transport Safety Victoria now approves variations to operators' existing terms and conditions of accreditation.

Table 11.8: Performance Output Variation

Output	2007-08 Target	2007-08 Actual	Variation	
			($ million)	%
Vehicle and Driver Regulation Taxis conform to quality standards (per cent)	>80	70	-10	-13
Taxi service complaints investigated and closed (number)	1,700	2,557	857	50
Customer satisfaction index: taxi services (score)	>64.4	58.2	-6.2	-10
Customers served within 10 minutes in VicRoads licensing and registration offices (per cent)	80	70	10	-13
Calls answered within 30 seconds in VicRoads call centres (per cent)	80	48	-32	-40
Specialist Transport Services Transport access sites treated by VicRoads (number)	115	89	-26	-23
Integrated Transport Policy and Planning Local Area Access Program evaluation framework developed (per cent)	100	80	-20	-20
Public Transport Infrastructure Development Projects progressed to agreed plans and timeframes (per cent)	100	75	-25	-25
Public Road System Management Bridge strengthening and replacement projects completed (number):				
Metropolitan	2	1	-1	-50
Regional	7	3	-4	-57
Bridges with Level 4 Defects – Metropolitan (per cent)	1.2	1.8	0.6	50
Traffic and Transport Management Road user facilities improvement projects (number)	48	35	-13	-27

Source: Department of Transport, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two, pp.5-9

The Department responded to the Committee's Questionnaire as follows[275].

1. Vehicle and Driver Regulation

Q: The Department's Annual Report disclosed that the failure to meet quality and customer satisfaction targets, and the increased number of complaints investigations related to increased monitoring and increased customer awareness of complaints processes. Please detail the steps taken/planned to address these issues.

[275] Department of Transport, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.5-9

A: **Taxis conform to quality standards**

In 2008, the Victorian Taxi Directorate (VTD) increased the number of Transport Safety Officers from 13 to 36. This has enabled the VTD to have a greater on-road presence, and carry out more taxi inspections and compliance operations. A zero-tolerance approach is also taken against any vehicle safety breaches.

The Safe Taxi Audit launched in November 2008 will be the primary strategy used by the VTD to increase taxi vehicle standards. The Strategy involves inspection of all Victorian taxis to ensure full compliance with relevant licence conditions. New accreditation licence plates are issued to taxis once standards have been met.

In addition, industry accreditation requires taxi operators to carry out regular inspections on their taxis. The VTD audit team conducts random and targeted inspections on taxi operators.

Taxi service complaints investigated and closed

The VTD addressed resource and capacity issues to improve workflow and ensure a backlog of complaints was systematically investigated and closed. In addition, a review of the VTD Complaints Management Procedures was completed. The new procedures will ensure greater accountability by Network Service Providers (NSPs) in responding to and resolving customer complaints. This accountability will be linked to the accreditation standards and is consistent with responsibilities detailed under those standards. Other process changes have brought a greater focus on earlier resolution of customer complaints, such as the introduction of a case assessment procedure.

The VTD is also in the process of establishing a public awareness campaign which will educate the public on how to lodge feedbacks and complaints about unsatisfactory taxi services, what they can expect from the VTD in relation to complaints and other avenues they can take if they are not satisfied with the outcome.

Customer satisfaction index: taxi services

Taxi users are primarily concerned with service punctuality, availability at peak periods and passenger safety. Under the Taxi Industry Accreditation regime, accredited NSPs are required to advise passengers of any known delay. There are also specific standards to ensure wheelchair accessible taxis (WATs) are performing wheelchair bookings as a priority. In addition to this, performance quotas and a new booking system will be introduced in 2009 to ensure that WAT services are being dedicated to wheelchair work.

To address the under-supply of taxis, 200 new conventional taxi licences will be released across the metropolitan and outer suburban taxi zones. A further 330 WAT licences will also be issued to ensure people with a disability have improved access to taxi services. These licences will be issued by tender in the first half of 2009.

The final planned release of 100 peak service taxi licences occurred in November 2008. It is expected that these taxis will be on the road in March/April 2009. The release of extra licences is supported by the following initiatives:

- doubling the Multi Purpose Taxi Program (MPTP) trip cap from $30 to $60 per trip from 13 December 2008;
- doubling the MPTP annual subsidy cap from $1,090 to $2,180 from 13 December 2008; and
- increased driver lifting fees to provide an added incentive for drivers to service people in wheelchairs.

2. Customers served within 10 minutes in VicRoads licensing and registration offices and calls answered within 30 seconds in VicRoads call centres

Q: The Department's Annual Report advised that the failure to meet these timeliness targets was a result of increasing volume and complexity of enquiries. Please detail the steps taken/planned to address this issue.

A: Funding of $16 million over four years was announced in the 2008-09 State budget for the VicRoads Customer Service Transformation Program. Under this three-phase Program, VicRoads will invest in its people, systems, and processes and will provide customers with more transaction options. The first year of the Program focuses on initiatives such as channel management, community engagement, workforce recruitment, retention and training.

Call centres reported that 66 per cent of the calls were answered within 30 seconds in November 2008, an increase of 18 per cent.

3. Transport access sites treated by VicRoads

Q: Please detail the nature of the increased complexities mentioned in the Department's Annual Report, and advise as to the steps taken to address this issue and to provide better estimates for the following year.

A: These projects had greater complexity due to the following factors:

- service relocations were required, such as pits which sit in the location where tactile paving is provided;
- signal pedestals had to be relocated in order to provide sufficient room for wheelchair access;
- heritage overlays required a greater level of consultation before works could proceed;
- installation difficulties created by high pedestrian volumes; and
- An audit of projects in this category will be undertaken in 2009-10 to provide better estimates.

4. Local Area Access Program evaluation framework developed

Q: Please provide a detailed explanation for the delay in the completion of this evaluation framework and impacts of the delay.

A: The Local Area Access Program evaluation framework was developed to assist staff to ascertain the success of this Program. No prior evaluation framework existed for this Program. The delay to complete the framework was due to revised program milestones. There are no long term impacts as the Program returns to its original timelines by the end of June 2009.

5. Projects progressed to agreed plans and timeframes

Q: Please provide a detailed explanation for the delays noted in the Department's Annual Report and advise as to any impacts of these delays.

A: Nine of the 12 projects (75 per cent) progressed to agreed plans and timeframes. The three delayed projects were track duplication (Clifton Hill to Westgarth), Metropolitan Train Communications System replacement and Vigilance Control and Event Recording System. Explanation for and impact of the delay is detailed on pages 202 and 203 of the Department's 2007-08 Annual Report.

6. Bridge strengthening and replacement projects completed

Q: Please provide a detailed explanation of the current needs assessment and the impact this has had on the completion of these projects.

A: Further structural analysis of the proposed projects identified that improvements to the structures could be deferred in the short-term without any adverse impact to the road network's capacity to service freight vehicles. These projects were subsequently deferred for 12 months.

7. Bridges with Level 4 Defects (Metropolitan)

Q: Please provide a detailed explanation for the increased percentage of bridges with Level 4 defects.

A: VicRoads' regular bridge inspection program identified a small number of bridges that had deteriorated faster than originally anticipated. The bridges are safe and any necessary improvement works have either been undertaken or are planned to be undertaken as part of the regular maintenance program. Bridge inspection frequency ranges between 2 and 5 years based on the previous condition and risks associated with the structure. Bridges with components in poor condition are inspected every 2 years.

8. **Road user facilities improvement projects**

Q: Please detail the projects that were completed early in 2006-07 and those rescheduled for completion in 2008-09. Please also provide explanations for the rescheduling of the delayed projects.

A: Projects completed in 2006-07 were:

- Old Calder Highway, pedestrian refuges, Taylors Lakes;
- Eltham-Yarra Glen Rd, metering signals, Eltham;
- Queens Parade, on-road bicycle lanes, Fitzroy North; and
- Furlong Rd, intersection signals, St Albans.
- Projects rescheduled for completion in 2008-09 (and reasons for delays) are:
- Mt Alexander Road – On-road bicycle lanes, Essendon (scheduling difficulties);
- Maroondah Highway – Bridge construction, Lilydale (bridge design issues);
- Eastern Freeway – Ramp metering (bus company's objection to ramp metering);
- Mornington Peninsula Route – Right-turn lanes, Frankston (project scope changes);
- Upfield off-road bicycle path, Fawkner (finalisation of a project related agreement impacting on contract advertising);
- Hopkins-Whitehall Street – Pedestrian signals, Footscray (scheduling difficulties);
- Wellington Road – Intersection signals, Lysterfield (planning permit and land acquisition);
- Maroondah Highway – Intersection signals, Coldstream (planning permit); and
- Boundary Road – Intersection signals, Braeside (avoiding any additional congestion as a result of other major works in the area.).

11.5 Department of Justice

11.5.1 Total output costs

The total cost to deliver the Department's 16 major outputs in 2007-08 was $3.2 billion. This is $60.7 million (2 per cent) higher than target. Three of the output areas reported an above-target expenditure in excess of 10 per cent, whereas one other (*infringement and orders management*) reported an under-target expenditure in excess of 10 per cent. *Protecting consumers* reported the largest over-spending at 58 per cent.

Table 11.9: Total Output Cost

Output	2007-08	2007-08	Variation		
	($ million)	($ million)	($ million)	%	Note
Policing services	1,639.4	1,630.8	-8.6	-1	
Police integrity	20.9	21.5	0.6	3	
Legal policy, advice and law reform	31.7	34.5	2.8	9	
Protecting community rights	24.4	26.6	2.2	9	
Supporting the judicial process	72.5	76.7	4.2	6	
Privacy regulation	1.8	2.1	0.3	17	(a)
State electoral roll and elections	19.0	18.1	-0.9	-5	
Court matters and dispute resolution	302.7	315.5	12.8	4	
Public prosecutions	49.8	50.1	0.3	1	
Infringement and orders management	155.5	132.9	-22.6	-15	(b)
Community safety and crime prevention	30.1	31.6	1.5	5	
Emergency management capability	161.8	187.5	25.7	16	(c)
Prisoner supervision and support	443.0	438.1	-4.9	-1	
Community-based offender supervision	57.7	59.5	1.8	3	
Protecting consumers	80.9	127.9	47.0	58	(d)
Gaming and racing management and regulation	64.1	62.6	-1.5	-2	
Total	**3,155.3**	**3,216.0**	**60.7**	**2**	

Notes: *(a) This output administers the Information Privacy Act 2000 through the Office of the Victorian Privacy Commissioner. The Privacy Commissioner was provided with additional funding of $0.3 million during the year to meet resourcing requirements*[276]*.*

(b) The variance is attributable to the combined impact of higher than scheduled demand traffic camera downtime arising from a rigorous testing and maintenance regime, increased public awareness of safety cameras and improvements in driver behaviour[277]*.*

(c) The variance reflects the reinstatement within the department of two Statewide Integrated public Safety Communications Strategy projects that were originally to be delivered by the Emergency Services Telecommunications Authority[278]*.*

276 Department of Justice, Annual Report 2007-08, p.106 & 107

277 ibid, p.111

(d) The variance is mainly attributable to a $50 million grant from the Victorian Property Fund for additional public housing units[279].

Source: Department of Justice, Annual Report 2007-08, pp.101-116

11.5.2 Performance against output targets

The Department achieved or exceeded 74 (75 per cent) of its 99[280] performance output targets reported in 2007-08. However, 27 of the performance measures recorded a variation in excess of 10 per cent. Four of these were unfavourable variations where the Department failed to achieve the related performance targets.

The Committee sought further information about the following output variations reported in the 2007-08 Annual Report:

Table 11.10: Performance Output Variation

Output	2007-08 Target	2007-08 Actual
Policing services Reduction in property crime (per cent)	3.0	0.4
Reduction in crimes against the person (per cent)	2.0	-1.4
Police integrity Complaints managed (number)	700.0	909.0
Investigations undertaken within required timelines (per cent)	85.0	74.5
Public prosecutions Number of Appeals lodged in the Court of Appeal and the High Court (number)	380.0	506.0

Source: Department of Justice, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two, pp.3-5

The Department responded to the Committee's Questionnaire as follows[281].

1. Reduction in property crime

Q: Please explain why this target has not been met.

A: While the actual incidence of crime indicates a 0.4 per cent reduction in 2007-08, the rate of property crime as measured per 100,000 population decreased by 2 per cent in 2007-08. The rate per 100,000 population measure factors population growth in the assessment of crime rates. Crime against property includes arson, property damage, burglary, deception, handling stolen goods, and theft.

Theft from motor vehicles recorded a 12.3 per cent increase. The increase was mostly due to a significant increase in number plate thefts. The stolen number plates were subsequently linked to petrol drive off thefts.

A detailed breakdown of crime statistics is provided in Appendix 1: Victoria Police Media Release, 'Official Police Figures Released', 18 August 2008, page 31.

278 ibid, p.113
279 ibid, p.115
280 This excludes the performance targets for *total output costs*.
281 Department of Justice, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.3-5

Committee Comment

If police regard the performance measure of crime per 100,000 population as a more realistic measure, then that should be formally adopted in preference to a raw percentage target.

2. Reduction in crimes against the person

Q: Please outline the factors that led to the increase in personal crimes in 2007-08.

A: While the actual incidence of crime against the person indicates a 1.4 per cent increase, the rate of crime against the person as measured per 100,000 population decreased by 0.2 per cent in 2007-08. Crimes against the person include homicide, sex offences, robbery, assault and abduction/kidnapping.

Assaults account for some 73 per cent of crimes against the person as a category, which means any increase in offences recorded for assault will have a significant impact on the outcome. Assault offences increased by 0.7 per cent in 2007-08. The new code for responding to family violence implemented by Victoria Police, has led to a substantial increase in police attendance at family violence incidents. The number of assaults occurring at other locations also increased in 2007-08, and was linked to alcohol related violence, in and around licensed premises and places of entertainment.

3. Complaints managed

Q: While the Committee recognises that it is difficult to predict exact numbers of complaints, it considers a 30 per cent variance to be significant and worthy of consideration. Please detail the determining factors behind this discrepancy.

A: Media coverage of the Office of Police Integrity (OPI) in 2007-08 raised the profile of the OPI, and public awareness of its functions. The heightened public awareness of the functions of the OPI resulted in higher than anticipated number of complaints managed.

4. Investigations undertaken within required timelines

Q: Please explain whether there is a relationship between the increased number of complaints managed and the 12.4 per cent variance between the targeted and actual number of investigations undertaken within required timelines in 2007-08.

Further, please clarify the comment on page 102 of the Annual Report that the OPI exceeded the target for timeliness, which appears to contradict the output figures supplied.

A: There is a partial relationship between the number of complaints managed, and investigations undertaken and completed within the required timelines. Some complaints can be resolved very quickly whereas others may take years to finalise. Even then, the results cannot be published. See OPI Annual Report 'Operation Clarendon', page 40.

The investigations undertaken within timelines was lower than the target as three large investigations, requiring significant resources commenced in 2007-08 but was not completed by year-end. The comment on page 102 of the Department of Justice Annual Report relates to the 'quantity' performance measure 'Parliamentary reports published'.

5. Number of Appeals lodged in the Court of Appeal and the High Court

Q: While the number of Appeals lodged in 2007-08 was lower than the preceding year, there was a 33.2 per cent variance from the target. Please explain the reason for this variance and identify the numbers of criminal and non-criminal matters appealed.

A: A target of 380 for this performance measure was set in 2006-07, and 2007-08. A decline in the number of appeals lodged was expected during 2007-08. Actual outcome for this performance measure declined from 671 in 2006-07 to 506 in 2007-08. However, the level of decline was not in line with the 2007-08 target.

The BP3 measure relates to appeals to the Court of Appeal and High Court in which the DPP is involved. Overwhelmingly, these are criminal appeals (i.e. against conviction and/or sentence). There are significantly fewer non-criminal appeals, e.g. in confiscation matters. These matters are generally allied to a criminal prosecution in the first instance. At this time, the numbers of criminal and non-criminal matters appealed are unavailable.

Committee Comment

The Committee expects that more realistic targets be set in future rather than simply repeating the previous year's target which was 43 per cent lower than the actual performance. The relatively high number of appeals may relate to sentencing outcomes but these are not dealt with in the response.

11.6 Department of Innovation, Industry and Regional Development

11.6.1 Total output costs

The total cost to deliver the Department's 15 major outputs in 2007-08 was $2.2 billion. This is $54.9 million (2 per cent) lower than budget. Five of the output areas reported additional expenditure in excess of 10 per cent, whereas five others reported an under-target expenditure in excess of 10 per cent. *ICT policy and program* reported the largest expenditure (300 per cent) in excess of the budget estimate (due to machinery of government changes), while *regional development/regional promotion and development* recorded the largest expenditure (44 per cent) under budget.

Table 11.11: Total Output Cost

Output	2007-08	2007-08	Variation	
	($ million)	($ million)	($ million)	%
Investment attraction/Investment facilitation and	24.1	36.0	11.9	49
Trade development/Export promotion	12.4	10.3	-2.1	-17
Developing innovative industries/Small	22.7	27.8	5.1	22
Developing innovative industries/Innovative and	14.5	12.1	-2.4	-17
Developing innovative industries/Science	127.9	132.0	4.1	3
Developing innovative industries/Advanced	6.9	7.1	0.2	3
Developing innovative industries/Service	3.2	2.9	-0.3	-9
Developing innovative industries/Creative	28.3	22.8	-5.5	-19
Developing innovative industries/Strategic	4.9	6.9	2.0(b)	41
ICT policy and program	20.2	80.9	60.7	300(c)
Regional development/Regional economic	26.1	26.4	0.3	1
Regional development/ Regional promotion and	31.9	17.8	-14.1	-44
Regional development/ Regional infrastructure	92.2	53.8	-38.4	-42
Marketing Victoria/Tourism	70.3	79.8	9.5	14
Skills	1,720.2	1,634.3(a)	-85.9	-5
Total	**2,205.8**	**2,150.9**	**-54.9**	**-2**

Notes: *(a) Included the actual Employment Program output cost of $25.7 million following the transfer of the Workforce Participation Branch from the Department of Planning and Community Development in 2007-08.*

(b) The Department explained that the over-budget spending relates to expenditure for the Innovation Economy Advisory Board and expenditure carried over from 2006-07[282].

(c) The Department explained that the over-budget spending relates to additional expenditure for the Peak Computing Facility and the Citizens Access and Transformation output ($7.6 million) following the transfer of the Citizens Access and Transformation Branch from the Department of Planning and Community Development in 2007-08[283].

Source: Department of Innovation, Industry and Regional Development, Annual Report 2007-08.

The Committee sought further information about material variations in the Department's reported output costs. The Department responded to the Committee's Questionnaire as follows:[284]

1. Investment attraction/Investment facilitation and attraction

Q: Please provide details of the additional funding received for the Investment Support Program and the achievement to date of deliverable outcomes under this program.

A: The Department received Treasurer's Advance funding of $14 million in 2007-08 for expenditure relating to the Investment Support Program. Historically, the Department has received a small base allocation for this program of approximately $7 million and expenditure in excess of this has been funded at year end by a Treasurer's advance, hence the variance to the initial target.

282 Department of Innovation, Industry and Regional Development, *Annual Report 2007-08*, p.185

283 ibid

284 Department of Innovation, Industry and Regional Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.3-5

Committee Comment

The Department did not include a response to the Committee's request for information relating to outcome achievement under the Investment Support Program.

Recommendation 23: **The Department of Innovation, Industry and Regional Development disclose both qualitative and quantitative outcomes achieved under the Investment Support Program, together with explanations in relation to material actual to target variations in future Annual Reports.**

2. Trade development/Export promotion

Q: *Please provide details of the specific initiatives where under-expenditure occurred and the impact of underspending on the on-time delivery of these initiatives.*

A: The 2007-08 budget included an estimated carryover of $0.9 million for the Agenda for New Manufacturing and an estimated carryover of $0.2 million for the Opening Doors Export Plan. The actual carryover of 2006-07 funding for these two initiatives against this output was only $0.4 million, a reduction of $0.5 million to the estimate. The 2007-08 actual expenditure was also lower due to $0.8 million of grant duplication savings applied to the Agenda for New Manufacturing Program, and Business Development Program. The balance relates to changes in attribution of corporate overheads to this output.

3. Developing innovative industries/Small business support

Q: *Please provide details of the additional external funding received in relation to this output.*

A: Additional expenditure was incurred against funding received for the Victorian Property Fund $0.9 million, e-commerce $0.4 million and Reducing the Regulatory Burden $0.2 million. There was also additional expenditure in 2007-08 as the actual carryover of funding from 2006-07 was $1.5 million higher than the estimated carryover included in the 2007-08 budget. This related to an increased carryover for My Business My People $0.5 million, World Class Service $0.4 million, Small Business Statement $0.2 million, Streetlife $0.2 million and Koorie Business Network $0.2 million. The rest of the increase related to changes in the attribution of corporate overheads to this output.

4. Developing innovative industries/Innovative and high performing workplaces

Q: *Please provide details of the specific initiatives where under-expenditure occurred and the impact of underspending on the on-time delivery of these initiatives.*

A: Under expenditure was spread over a number of initiatives and had no impact on output deliverables. Most of the variance related to application of savings and reduction in the attribution of corporate overheads to this output.

5. Developing innovative industries/Creative industries

Q: *Please provide details of the specific initiatives where under-expenditure occurred and the impact of underspending on the delivery and outcomes of these initiatives.*

A: The variance relates mainly to the rephasing of $3.2 million of 2007-08 funding for the Design Sector Strategy into future years, and a reduction in the actual 2007-08 carryover for this item as compared to the estimated carryover included in the original budget.

6. Regional development/ Regional promotion and development

Q: Please provide details of the Provincial Victoria Initiatives subject to rephasing, including the revised milestones for these initiatives and the impacts of delays on deliverable outcomes.

A: The Provincial Victoria Growth Fund was re-phased, predominately into 2009-10. The rephasing was to better align the annual budgets with expected expenditure. As the re-phase sought to better align budget with projects that have long lead times (such as the formation of significant regional plans), no significant impact on outcomes are anticipated as a result of the re-phase.

7. Regional development/ Regional infrastructure development

Q: Please provide details of the specific initiatives where under-expenditure occurred and the impact of underspending on the delivery and outcomes of these initiatives.

A: This under budget expenditure relates to the Regional Infrastructure Development Fund (RIDF) and is a reflection of the long lead time of infrastructure projects and the milestone and performance based agreements that are a feature of the RIDF. RIDF funding continues to be allocated to approved projects in accordance with available budget. As grantees continue to deliver their projects and claim funding in accordance with milestones, no significant impact on outcomes is expected.

11.6.2 Performance against output targets

The Department achieved or exceeded 91 (84 per cent) of its 108[285] performance output targets reported in 2007-08. However, 55 (51 per cent) of the performance measures recorded a variation in excess of 10 per cent. Forty seven (44 per cent) of these represent positive variations, of which 23 were variations of 50 per cent or higher.

The Department explained that performance targets are set in consultation with the Department of Treasury and Finance, and approved by the Ministers concerned. However, substantial changes in market conditions can lead to material actual to target variations. Output structure and related targets are reviewed from year to year and revised where necessary, to incorporate changes in market conditions and government machinery[286].

Recommendation 24: **In view of the many targets which were significantly exceeded in 2007-08, the Department of Innovation, Industry and Regional Development consider putting in place a more rigorous target setting process to generate more meaningful (realistic and stretch) performance targets.**

[285] This excludes the performance targets for *total output costs*.

[286] Department of Innovation, Industry and Regional Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.13 & 14

The Committee sought further information about the following output variations reported in the 2007-08 Annual Report:

Table 11.12: Performance Output Variation

Output	2007-08 Target	2007-08 Actual	Variation
			%
Investment attraction/Investment facilitation and attraction Client satisfaction rating by businesses with investment facilitation services (per cent)	80	-	N/A
Jobs derived from investments facilitated (number)	5,000	8,212	64
New investments facilitated ($ million)	1,600	3,254	103
Trade development/Export promotion Exports facilitated and imports replaced ($ million)	689	2,150	212
Number of firms participating in individual export specific programs (number)	700	1,167	67
Developing innovative industries/Small business support Businesses participating in the *My Business My People* Program (number)	200	325	63
Developing innovative industries/Innovative and high performing workplaces Respond to general workplace enquiries (number)	8,000	17,596	120
Workplace Rights Advocate: Information sessions provided (number)	30	56	87
Developing innovative industries/Science technology and innovation Patents sought by STI funded organisations (number)	25	59	136
Skills Expansion – PHD's commenced in STI funded projects (number)	200	326	63
Developing innovative industries/Advanced manufacturing Attendees at presentations by keynote speakers (number)	2,400	960	-60
Developing innovative industries/Creative industries Value of film, television and new media production supported by Film Victoria production ($ million)	78	204.9	163
Additional employment from production supported by Film Victoria (number of EFT)	2,340	6,147	163
Design Sector Initiative: Lectures, seminars and workshops held (number)	20	45	125
Design Sector Initiative: People participating in lectures, seminars and workshops (number)	1,000	2,418	142
Citizens access and transformation Victoria Online – Increase in usage (per cent)	10	58.1	481
Regional development/Regional economic development and investment Jobs created in regional Victoria (number)	1,000	2,766	177

Table 11.12: Performance Output Variation

Output	2007-08 Target	2007-08 Actual	Variation
			%
New exports facilitated in regional Victoria ($ million)	100	699	599
New investments facilitated in regional Victoria ($ million)	750	1,191	59
Regional development/Regional promotion and development Provincial economic partnerships (number)	15	43	187
Regional development/Regional infrastructure development RIDF projects funded (excluding Gas Towns Development Fund) (number)	15	55	267
Marketing Victoria/Tourism Value of media coverage generated: Domestic ($ million)	40-50	24.4	-39
Value of media coverage generated: International ($ million)	120-140	104.4	-13
Skills Number of individuals assisted through Skill Up (number)	1,000	2,347	135
Number of people assisted by Returning to Earning Program (number)	1,600	2,950	84
Employment programs Experience Counts Program – commencements (number)	130	0	-100
Disability Training Scheme – commencements (number)	25	0	-100
Experience Counts Program – participants in employment, education or training three months after leaving the program (per cent)	55	N/A	N/A
Disability Training Scheme – participants in employment, education or training three months after leaving the program (per cent)	50	N/A	N/A

Source: Department of Innovation, Industry and Regional Development Responses to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two, pp.4-11

The Committee asked the Department to outline the major factors that enabled favourable results to be achieved, and comment on the veracity of the assumptions behind the establishment of the original targets. The Department was also asked to provide detailed explanations for material unfavourable results. The Department's responses to the Committee's Questionnaire are as follows:[287]

1. Client satisfaction rating by businesses with investment facilitation services

Strachan Research undertook a survey of 82 investors including metropolitan, regional and international based organisations. The investors were asked to rate satisfaction with the following performance factors:

- response to requests in a timely manner;
- usefulness of advice provided;
- understanding business needs;
- solving problems that arise;
- follow-up support when investment was completed;
- staying ahead of issues to facilitate the investment process.

The actual rating was 97.6. The investors were highly satisfied with timeliness of response and usefulness of advice.

2. Jobs derived from investments facilitated/New investments facilitated

The Department has been successful over the last few years in attracting several large projects that had very high investment and job numbers. Unprecedented boom times have been reflected in this investment/job result.

'New investments facilitated' has a 4-year rolling target and is implemented as part of *Growing Victoria Together*. The Department's targets are reviewed internally on a regular basis. Investment attraction continues to fluctuate and the results are difficult to accurately predict from one year to the next. Some projects have a lead time of 3-4 years (e.g. wind energy). Targets have been raised consistently through to 2004-05. The investment/job targets and results since 2000-01 are listed below.

Committee Comment

The Committee queries the consistency with which targets are claimed to have been reviewed given the figures in Table 11.3.

[287] Department of Innovation, Industry and Regional Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.6-13

Table 11.13: Jobs derived from Department Investment

Year	Investments		Jobs	
	Actual	Target	Actual	Target
	($ million)	($ million)	(Number)	(Number)
2000-01	1,674.1	1,200	5,429	4,000
2001-02	2,243.0	1,200	5,760	4,000
2002-03	2,417.0	1,200	7,463	4,000
2003-04	2,460.0	1,400	7,995	4,000
2004-05	2,117.0	1,600	5,866	5,000
2005-06	2,481.6	1,600	6,091	5,000
2006-07	3,541.5	1,600	8,002	5,000

Source: *Department of Innovation, Industry and Regional Development, Response to the Committee's 2007-08 Financial and Performance Questionnaire - Part Two, p.5.*

3. Exports facilitated and imports replaced

This outcome consists of three components: exports resulting from export programs (such as trade fairs & missions); exports resulting from import replacement (primarily facilitated by the Industry Capability Network); and exports resulting from investments. The export outcomes resulting from export programs such as trade fairs and missions and the import replacement facilitated by the Industry Capability Network do not show any significant fluctuations over the period from 2004-05 to 2007-08. The main cause of fluctuation in the outcome is due to the investment related export component. The positive variation in this component resulted from a number of one-off significant investments facilitated by the Department, in energy, aviation, food and general manufacturing. The targets and actuals for this output for the previous three years are listed below:

Table 11.14: Exports resulting from Export programmes

Year	Actual	Target
	($ million)	($ million)
2004-05	1,123.0	680
2005-06	864.7	689
2006-07	1,520.4	689

Source: *Department of Innovation, Industry and Regional Development, Response to the Committee's 2007-08 Financial and Performance Questionnaire - Part Two, p.5.*

Committee Comment

The Committee notes that in spite of significant outcomes in excess of targets, little attempt has been made to adjust targets upwards.

4. Number of firms participating in individual export specific programs

The original targets for this outcome were established in 2004-05, based on the capacity and nature of the export programs and services to service clients and the budget available to support the initiatives. The export programs and services have evolved to enable servicing of clients on a greater scale. In addition, over the past four years additional Access Programs have been established in overseas locations, such as India and Japan. The annual targets have been increased annually anticipating increased participation levels which have been surpassed by actual usage by Victorian clients. The targets and actuals for this output for the previous three years are listed below:

Table 11.15: Number of firms participating in Export programs

Year	Actual	Target
	(Number)	(Number)
2004-05	582	450
2005-06	789	450
2006-07	1,283	600

Source: Department of Innovation, Industry and Regional Development, Response to the Committee's 2007-08 Financial and Performance Questionnaire - Part Two, p.5.

Committee Comment

Target Setting by the Department seems to be less than rigorous.

5. Businesses participating in the *My Business My People* Program

The variance was exceeded primarily due to an unanticipated demand for program services. As a pilot program, the original target of 100 businesses participating in the Program in 2006-07 was based on a reasonable estimation derived from the uptake of other Small Business Victoria programs. It was considered to be a realistic target for a new program. In the Program's second year the target was doubled to 200, reflecting an expectation of additional interest and demand. This figure was exceeded again due to stronger than expected demand for the Program given that skill shortages have been a key issue for small and medium enterprises.

6. Respond to general workplace enquiries/ Workplace Rights Advocate: Information sessions provided

There was increased demand for information about federal legislative changes and the need to inform people about the upcoming initiative of the Office of the Workplace Rights Advocate.

7. Patents sought by STI funded organizations/Skills Expansion – PHD's commenced in STI funded projects

The data collected from the 2007-2008 STI Outcome Monitoring Tool (the Tool) indicated that the STI program excelled in the number of discoveries requiring Patent Co-operation Treaty and US Patent Protection (59). This suggests that the STI programs focused on commercial outcomes. The data collected from the Tool also indicated that 326 PhD students were engaged in STI funded projects, reflecting that mature STI projects are performing at their peak and are contributing to a highly skilled workforce for Victoria's knowledge economy.

8. Attendees at presentations by keynote speakers

The keynote speaker program was discontinued due to a policy change in programs delivered under the Agenda for New Manufacturing. While no additional funds were forthcoming, approval by the Minister for Industry and Trade was given to reallocate funding within the existing Agenda budget. This was necessary to fund new Government commitments on strategic initiatives including some referred to in the Ministerial Statement on Manufacturing and Industry Policy (December 2006).

9. Value of film, television and new media production supported by Film Victoria production/Additional employment from production supported by Film Victoria

The original targets for Film Victoria were set with the unexpected impact of international production and filming of the Pacific, which highly contributed to the exceeded outcomes of both these targets.

10. Design Sector Initiative: Lectures, seminars and workshops held/Design Sector Initiative: People participating in lectures, seminars and workshops

Targets for the Design Sector Initiative were set and have been in place since 2006-2007. The strong performance is due to increased collaborative opportunities for workshops and seminars across the State during 2007-2008.

11. Victoria Online – Increase in usage

Result higher than target due to high relevance and usefulness of new content added to site.

12. Jobs created in regional Victoria/New exports facilitated in regional Victoria/New investments facilitated in regional Victoria

Results for the Regional Job, Investment and Export targets fluctuate significantly on an annual basis depending on the number, size and timing of investments facilitated.

13. Provincial economic partnerships

Results reflect commencement of new Provincial Economic Partnership funding under *Moving Forward*, and stronger than anticipated interest from regional councils for Economic Promotion and Marketing Grants.

14. RIDF projects funded (excluding Gas Towns Development Fund)

The target reflects the number of projects RDV expects to support during the year depending on available funds. In 2007-08 a higher volume of smaller projects were approved under RIDF Sub-programs, particularly Roads to Markets and Water for Industry.

15. Value of media coverage generated: Domestic

Outcomes are based on independent research conducted by Millward Brown. The target was not met due to a shift in the focus of domestic media away from showcasing domestic travel destinations in favour of international travel stories.

16. Value of media coverage generated: International

Outcomes are based on independent research conducted by Millward Brown. The target was not met due to the strong appreciation of the Australian dollar which reduced the conversion of advertising equivalency rates.

17. Number of individuals assisted through Skill Up

Machinery-of-Government changes were announced soon after the end of 2006-07. The Department adopted the Skills Victoria performance measures for inclusion in the 2007-08 Budget Papers. The outcome was significantly higher than the target due to ongoing demand for this program.

18. Number of people assisted by Returning to Earning Program

Machinery-of-Government changes were announced soon after the end of 206-07. The Department adopted the Skills Victoria performance measures for inclusion in the 2007-08 Budget Papers. The outcome was significantly higher due to a change in policy which altered the way grants are distributed. The total figure combines 1,680 Universal Access grants and 1,270 Community Access grants approved in 2007-2008.

19. Experience Counts Program – Commencements

This is a new four year program which was launched in March 2008 following consultation with stakeholders. Four projects were approved for funding in 2007-08 following a tender, application and assessment process. Each Project will deliver a number of Experience Counts commencements. The commencement of project participants began in the first half of 2008-09. As at 31 January 2009, there were 122 commencements. It is anticipated that there will be over 130 commencements by the end of 2008-09. In addition, a new round of applications will be sought shortly. The four-year target of 700 commencements will be met.

20. Disability Training Scheme – commencements

This is a new four year program which was launched in November 2007 following consultation with stakeholders. Three projects were approved for funding in 2007-08 following a tender, application and assessment process. Each Project will deliver a number of Disability Trainee Scheme commencements. The commencement of project participants began in the first half of 2008-09. As at 31 January 2009, there were 63 commencements. It is anticipated that there will be over 90 commencements by the end of 2008-09. In addition, a new round of applications will be sought shortly. The four-year target of 200 commencements will be met.

21. Experience Counts Program – participants in employment, education or training three months after leaving the program

This is a new four year program which commenced in 2007-08. The data will become available three months after Experience Counts Program participants complete and leave the program. The first participants are expected to begin to complete the program in Quarter 3 2008-09. The survey of completing participants will therefore be undertaken in Q4 2008-09. Initial data is expected to be available by Quarter 4 2008-09.

22. Disability Training Scheme – participants in employment, education or training three months after leaving the program

This is a new four year program which commenced in 2007-08. The data will become available three months after Disability Trainee Scheme participants complete and leave the program. The first participants are expected to begin to complete the program in Quarter 3 2008-09. However, sufficient numbers of completing participants for survey purposes will only become available as at Quarter 4 2008-09. The survey of these completing participants will therefore be undertaken in Quarter 1 2009-10. Initial data is expected to be available by Quarter 2 2009-10.

11.7 Department of Sustainability and Environment

11.7.1 Total output costs

Total cost of delivering the Department's eight major outputs in 2007-08 was $1.3 billion. This is $232.8 million (21 per cent) higher than budget. Four of the output areas reported an above-budget expenditure in excess of 10 per cent. *Biodiversity* was the output registering the largest expenditure (111 per cent) as a proportion of budget.

Table 11.16: Total Output Cost

Output	2007-08 Target	2007-08 Actual	Variation	
	($ million)	($ million)	($ million)	%
Sustainable water management and supply	228.3	359.9	131.6	58
Public land	284.4	281.0	-3.4	-1
Biodiversity	20.1	42.5	22.4	111
Natural resources	177.5	199.1	21.6(a)	12
Land and fire management	161.1	223.0	61.9	38
Environmental policy and climate change	48.7	44.4	-4.3	-9
Statutory activities and environmental protection	107.2	102.7	-4.5	-4
Land administration and property information	88.1	95.6	7.5	9
Total	**1,115.4**	**1,348.2**	**232.8**	**21**

Notes: *(a) The Department explained that additional funding was provided for the catchment Management Authority Drought Relief Program, the eradication of invasive species (fire ants) and for National Action Plan and National Heritage Trust projects. The increases were partially offset by the transfer of native vegetation funding to the Biodiversity output and Bushfire Recovery funding to the Land and Fire Management output*[288].

Source: *Department of Sustainability and Environment, Annual Report 2007-08.*

The Committee sought further information about material variations reported in three outputs areas: *Sustainable water management and supply*, *biodiversity*, and *land and fire management*.

The Department responded to the Committee's Questionnaire as follows:[289]

1. Sustainable water management and supply

Q: *The Department's Annual Report identified that additional funding had been provided to a number of significant water projects. Please:*

(a) provide details of the additional funding provided to these projects during 2007-08;

(b) explain why this additional funding was required during 2007-08; and detail whether these costs will be recovered over the life of each key project

[288] Department of Sustainability and Environment, *Annual Report 2007-08*, p.190

[289] Department of Sustainability and Environment, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, received 9 February 2009, p.2 & 3

A: The sustainable water management and supply projects that received additional funding in 2007-08 included:

- Grants for Water Bills – received $55.0 million to pay for water bills of drought affected irrigators that were receiving less than 40 per cent of their water entitlements;
- Wonthaggi Desalination Project – received $36.3 million to commence procurement activities, including technical and engineering analysis, planning and environmental, commercial and legal analysis;
- Foodbowl Modernisation Project – received $10.5 million to establish a special purpose entity under the *State Owned Enterprise Act 1992* to oversee implementation;
- Environmental Flows and River Health Project – due to errors in previous years made by the Department of Treasury and Finance, received $7.2 million to balance to TEI and enable continued works in relation to environmental water reserve management, river health policies and research and flood plain management; and
- Victorian Water Trust-Goulburn River Projects – received $9.8 million from the Snowy Joint Government Enterprise for the Central Goulburn 1234 Channel Automation Project Revised Stages 2 and 3 and the Goulburn-Murray Water for Strategic Measurement Project.

2. Biodiversity

Q: Please detail the extent, objectives and purpose of the additional funding provided for the Arthur Rylah Institute.

A: Of the increase in actual spend in 2007-08, $0.5 million was provided to the Arthur Rylah Institute to refurbish the building to a standard consistent with the Victorian Government Office Accommodation guidelines.

3. Land and fire management

Q: Please detail the total costs (including the additional costs) associated with the 2007-08 fire season and the Gippsland flood relief package.

A: In addition to the allocated budget, funding of $38.3 million for fire suppression activities was received by the Department. A further $10 million was received for Gippsland flood relief (with a further $10 million going directly to the Catchment Management Authorities from the Commonwealth via the Department of Treasury and Finance).

11.7.2 Performance against output targets

The Department achieved or exceeded 77 (83 per cent) of its 93[290] performance output targets reported in 2007-08. However, 26 (28 per cent) of the performance measures recorded an actual-target variation in excess of 10 per cent. Ten (11 per cent) of these were variations where the Department failed to achieve the related performance targets.

[290] This excludes the performance targets for *total output costs*, *planning*, *heritage protection*, and *urban design and housing affordability*. The latter two outputs were transferred to the Department of Planning and Community Development as a result of machinery of government changes.

The Committee sought further information about the following output variations in 2007-08:

Table 11.17: Performance Output Variation

Output	2007-08 Target	2007-08 Actual	Variation
	Number	Number	%
Sustainable water management and supply Rebates approved for households for improved water efficiency in the house and gardens	38,000	31,580	-17
Public land Participants in Coast Action/Coastcare activities	25	15	-40
Biodiversity Number of developers and landholders signing up to use the Bush Broker/Bush Tender Program	50	148	196
Environmental Policy and Climate Change Number of Councils participating in the Victorian Local Sustainability Accord	20	15	-25

Source: Department of Sustainability and Environment, Response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, pp.3-4

The Department's responses to the Committee's Questionnaire are as follows:[291]

1. Rebates approved for households for improved water efficiency in the house and gardens

Q: The Department's Annual Report advised that increased demand for rebates led to an increase in the average rebate paid during 2007-08, resulting in a lower than expected number of rebates available within budget. For 2007-08 and the previous two financial years, please provide details of:

(a) the total rebate budget;

(b) the average value of rebates; and

(c) the total number of rebates paid.

Please also explain in detail, why the increased demand has led to an increase in the average rebate and the impact of this increase on future rebates.

A: (a) Total rebate budget: 2005-06 = $2.5 m;

2006-07 = $2.5 m; 2007-08 = $5.0 m;

(b) Average rebate value: 2005-06 = $55;

2006-07 =$74; 2007-08 = $137; and

(c) Total number of rebates paid: 2005-06 = 23,675; 2006-07 = 33,056; 2007-08 = 31,580.

During 2007-08, larger rebates were introduced for large rainwater tanks and greywater rebates (for which the budget doubled). The increased demand for 'large rainwater tank' rebates ($500, $900, and $1,000 depending on size of the tanks and a requirement for connection to the toilet and/or laundry) since January 2007 has increased the amount of the average rebate.

[291] Department of Sustainability and Environment, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, received 9 February 2009, p.3 & 4

At the time of initial estimation, it was expected that $5.0 million per year would be evenly split between the general rebates and the large tank rebates, however slightly more of the budget was spent on the large tank rebates in 2007-08. It is expected that the average rebate will continue to be higher as a result of the uptake of higher value rebates.

2. Participants in Coast Action/Coastcare activities

Q: The Department's Annual Report advised that the target was not reached due to reduced Commonwealth funding. Please outline the nature of the reduction in funding and the impact of this on achieving the objectives of the program and its future.

A: The Commonwealth funding for the Summer Activity Program was reduced after 2006. As facilitators are part funded through this source, activity numbers were reduced in 2007-08, resulting in a drop in the number of participants engaged. New funding arrangements may continue to have similar impacts on numbers of activities offered.

3. Number of developers and landholders signing up to use the Bush Broker/Bush Tender Program

Q: The Department's Annual Report advised that the level of interest exceeded expectations. Please detail the reasons for the increased level of interest and any resultant impacts on service delivery and costs.

A: Increased levels of interest were due to more landholders understanding the benefits of the programs, particularly in times of drought when other on-farm income may have decreased. Delays in site assessments have occurred due to the increased demand, but are being managed by the Department.

4. Number of Councils participating in the Victorian Local Sustainability Accord

Q: Please provide details of the delays that have occurred in the signing of the accord and advise any additional steps taken to promote the Accord and encourage participation by Councils.

A: The lower number of Councils signing onto the Accord at the end of 2007-08 was due to:

- unanticipated delays in procedures for full Council endorsement of the Accord; and
- limited capacity of Councils to develop Local Environmental Sustainability Priority Statements and establish sustainability projects.

To ensure these delays are avoided and that the project meets future targets, additional resources have been allocated for Council support activities.

11.8 Department of Primary Industries

11.8.1 Total output costs

The total cost of delivering the Department's four major outputs in 2007-08 was $613.8 million. This is $126.8 million (26 per cent) higher than budget. The Committee noted that all of the outputs reported a variation in excess of 10 per cent. *Sustainable practice change* recorded the largest over-budget expenditure (100 per cent), while *strategic and applied scientific research* was the only output registering an expenditure (22 per cent) less than budget.

Table 11.18: Total Output Cost

Output	2007-08 Target	2007-08 Actual	Variation	
	($ million)	($ million)	($ million)	%
Primary industries policy	44.5	62.5	18.0(a)	40
Regulation and compliance	86.0	101.8	15.8(b)	18
Strategic and applied scientific research	216.3	168.7	-47.6(c)	-22
Sustainable practice change	140.2	280.8	140.6(d)	100
Total	**487.0**	**613.8**	**126.8**	**26**

Notes: *(a) The Department explained that variation was mainly due to higher costs for the structural adjustment of Western Zone Rock Lobster fishery and the establishment of the Victorian Renewable Energy Target scheme administration[292].*

(b) The Department explained that variation was mainly a result of additional costs incurred for pest and diseases control relating to equine influenza and fruit fly outbreaks[293].

(c) The Department explained that variation was mainly due to a re-phasing of the Energy Technology Innovation Strategy (ETIS) Projects. Projects together with associated costs were deferred[294].

(d) The Department explained that variation largely reflects additional funding received for drought assistance programs and Commonwealth and State Exceptional Circumstances assistance[295].

Sources: *Department Annual Report 2007-08.*

The Committee sought further information about material variations in the Department's reported output costs. The Department responded to the Committee's Questionnaire as follows:[296]

1. Primary industries policy

Q: *Please provide details about the actual cost variations viz the expected costs for the Structural adjustment of the Western Zone Rock Lobster fishery. Please also advise as to the status of this project and planned completion targets.*

A: The Western Zone Rock Lobster structural adjustment was not part of the published budget as the allocation was made during the year via Treasurer's Advance. The $5 million allocated was fully expended via a grant to the Rural Finance Corporation, which is administering the program on behalf of the State. The project is currently underway and will be completed by 30 June 2009. Progress to date includes consultation with the western zone rock lobster industry and the commissioning of an independent market valuation of western zone rock lobster pots, quota and licenses.

2. Regulation and compliance

Q: *Please detail the additional costs incurred for pest and disease control for both equine influenza and fruit fly outbreaks.*

A: Additional costs incurred in responding to the Equine Influenza (EI) outbreak in 2007-08 were mostly funded by Treasurer's Advances of $8.16 million. Total cost of the EI response (excluding normal time salaries) was $10.90 million. $8.95 million was recovered under the national Emergency Animal Disease Response Agreement to which Victoria is a signatory.

292 Department of Primary Industries, *Annual Report 2007-08 - Appendices*, p.42
293 ibid, p.43
294 ibid, p.44
295 ibid, p.45
296 Department of Primary Industries, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.1-3

The additional costs included extensive border security measures, including the engagement of contract security staff and equipment. Costs were also incurred for disease investigation and testing, and an intensive public awareness campaign in the media. Considerable costs were incurred for overtime, travel and accommodation expenses. Grants were also paid by the Department to not-for-profit recreational horse organisations which incurred financial losses due to voluntary cancellation of horse events. The cooperation of these organisations was critical to enabling Victoria to remain EI free.

The Department also received a Treasurer's Advance of $1.4 million in responding to the Queensland Fruit Fly outbreak in metropolitan Melbourne and North Eastern Victoria. The additional costs comprised mainly employment of contractors, blocking (suppression), fruit stripping, trap inspection, tree mapping and other eradication activities. The metropolitan outbreak centering in Kensington was complicated by:

- proximity to the Melbourne Wholesale Fruit and Vegetable Market;
- large number of individual households (up to 10,000) with backyard citrus trees; and
- multicultural nature of the population.

Additional surveillance and compliance monitoring, and a comprehensive communication and awareness program for the greater metropolitan area were necessitated.

3. Strategic and applied scientific research

Q: Please provide details of the revised phasing of the ETIS and any costs or savings identified that relate to this re phasing.

A: The re-phasing of the ETIS budget was mainly driven by the timing of the agreement for the HRL large-scale energy technology demonstration project. The Deed of Agreement was finalised in June 2008 to allow for the construction of a new large-scale energy technology demonstration plant utilising HRL's integrated drying and gasification combined cycle technology. The delay in finalising the agreement was largely due to confirmation of the financing arrangements and other operational issues. No payments were made in 2007-08 as the agreement was not finalised until June 2008. The timing of future payments are subject to the commencement of construction and a revised business plan. It is expected that construction will commence in 2009-10, following finalisation of a site for the demonstration plant. The State Government's contribution through the ETIS Program remains at $50 million, out of a total project cost of $750 million. The Commonwealth and HRL are funding the balance.

11.8.2 Performance against output targets

The Department achieved or exceeded 40 (78 per cent) of its 51[297] performance output targets reported in 2007-08. Seventeen (33 per cent) of the performance measures recorded a variation in excess of 10 per cent. Six (12 per cent) of these were negative variations.

The Committee sought further information about the following output variations in 2007-08:

[297] This excludes the performance targets for *total output costs*.

Table 11.19: Performance Output Variation

Output	2007-08 Target	2007-08 Actual	Variation
			%
Primary Industries Policy Structured management arrangements in place for fisheries (number)	19	16	-16
Enhanced Fishing Grants: program components meet agreed milestones for delivery (per cent)	100	85	-15
Strategic and Applied Scientific Research Area of the State for which first generation regional 3D geological models are available (per cent)	47	40	-15

Source: Department of Primary Industries, Response to Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.4

The Department's responses to the Committee's Questionnaire are as follows[298].

1. Structured management arrangements in place for fisheries

Q: Please provide a detailed explanation as to why the Corangamite, Wimmera and West Gippsland fishery management plans have been delayed.

A: The Fishery Management Plan schedule was amended following a review of resource capacity. As a result, the Corangamite and West Gippsland Fisheries Management Plans were declared in the first half of 2008-09, while the Wimmera Management Plan is to be declared in the second half of 2008-09.

2. Enhanced Fishing Grants: program components meet agreed milestones for delivery

Q: Please provide details of the revised milestones associated with the following projects and advise as to any financial implications of these revisions: artificial reef trial; native fish production facility; and adopt a stream grants program.

[298] Department of Primary Industries, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, received 9 February 2009, p.4-6

A: There are no significant financial implications. Funding not spent in 2007-08 has been carried over and will be expended in 2008-09. Milestones and status to date for these initiatives are detailed below.

Table 11.20: Enhanced Fishing Grants milestone information

Milestones	Timelines	Status
Trial artificial reef program		
Prepare draft project brief	January 2008	Completed
Project brief endorsed	February 2008	Completed
Develop draft guidelines for the Trial to be approved by the Department of Sustainability and Environment (DSE)	February 2008	Completed
Engage recreational fishers to determine objective	March 2008	Meeting held in April 2008
Engage scientists and implement a robust monitoring program	June 2008	Ongoing
Commence baseline monitoring of deployment site	November 2008	Commenced
Gain approval of application for Coastal Management Act consent from DSE	December 2008	Lodged in November
Engage contractors to deploy reef	January 2009	On target
Native fish production facility in Northern Victoria		
Develop options paper highlighting most desirable option	March 2008	Completed
Fisheries Victoria executive team sign off on preferred option	March 2008	Completed
Develop project plan for endorsement	March 2008	Completed
Secretary to sign off on recommendations	June 2008	Completed
Minister to sign off on preferred location	September 2008	Signed off in November 2008
Engage Project Officer	February 2009	On target
Habitat Improvement Program		
Consultant developed amended concept paper	November 2007	Completed
Sign off on concept paper	December 2007	Not complete
Integrate website design and program design	March 2008	Completed
Advertise program opportunities	August 2008	Communication plan developed and program launched in August 2008
Applicant contracts signed off on	August 2008	Ongoing
Works commences	Ongoing	Commenced in September 2008
Works completed	Varied	Ongoing

Source: Department of Primary Industries, Response to Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.5

Committee Comment

The Committee was unable to understand why the concept paper for the Habitat Improvement Program has yet to be signed off.

3. Area of the State for which first generation regional 3D geological models are available

Q: Please provide further details on how the Department plans to address this issue in 2008-09. Please also provide details of the elements of the program which were rescheduled including updated milestones, and advise as to any financial implications to the project as a result of this rescheduling.

A: Delay in the development of first generation regional 3D geological models in 2007-08 has been rectified in 2008-09, and the target of 63 per cent is expected to be achieved by June 2009. The program scope has been changed to incorporate both onshore and offshore areas. This will deliver more complete geoscience information, critical for attracting new investment to the State. The first results from the 3D Victoria project will be released by January 2009, with a focus on data package for the Bendigo zone utilising new information from the Victorian seismic project.

Major changes to the program schedule include:

- public tender for the major Gippsland Basin 3D modelling contract rescheduled to January 2009;
- completion milestone for major elements of the Otway Basin 3D model brought forward to March 2009 from January 2010; and
- completion milestone for major elements of the Gippsland Basin 3D model set back to May 2010.

As part of the Rediscover Victoria initiative, the 3D geological modelling program has a total cost of $2.5 million over four years. This has not changed as a result of the changes to the program schedule. Funds carried over from 2007-08 has been utilised for work rescheduled to 2008-09.

11.9 Department of Premier and Cabinet

11.9.1 Total output costs

The Department of Premier and Cabinet did not disclose output costs in its *2007-08 Annual Report*. In response to the Committee's Questionnaire, the Department reported that the total cost of delivering its 12 major outputs in 2007-08 was $533.5 million[299]. This is $9.9 million or 2 per cent higher than budget. *Strategic policy projects* was the only major output reported a variation in excess of 10 per cent.

Recommendation 25: **In line with best practice for public accountability, the Department of Premier and Cabinet disclose output costs, together with explanations to material actual to target variations in future Annual Reports.**

[299] Department of Premier and Cabinet, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.1

Table 11.21: Total Output Cost

Output	2007-08 Target	2007-08 Actual	Variation	
	($ million)	($ million)	($ million)	%
Strategic policy advice	32.2	32.7	0.5	2
Strategic policy projects	10.9	24.3	13.4	123(a)
Government information services and support	42.3	43.5	1.2	3
Protocol and special events	2.0	1.9	-0.1	-5
Advice and support to the Governor	8.8	8.8	-	-
State services authority	11.7	11.4	-0.3	-3
Ombudsman Victoria	7.0	6.7	-0.3	-4
Chief parliamentary counsel services	4.7	4.4	-0.3	-6
Arts development and access	40.6	41.3	0.7	2
Creating place and space	98.8	101.2	2.4	2
Portfolio services and policy	4.3	4.0	-0.3	-7
Arts portfolio agencies	260.3	253.3	-7.0	-3
Total	523.6	533.5	**9.9**	**2**

Note: (a) The Department explained that variation was due to the one-off grant funding provided for establishment of the Australian Institute for Public Policy[300]*.*

Source: Department of Premier and Cabinet, Annual Report 2007-08.

The Committee sought further information about the following output variations reported in the 2007-08 Annual Report:

11.9.2 Performance against output targets

The Department achieved or exceeded 75 (85 per cent) of its 88[301] performance output targets reported in 2007-08. Twenty eight (32 per cent) of the performance measures recorded a variation in excess of 10 per cent. Seven (8 per cent) of these were variations where the Department did not achieve the related performance targets.

300 ibid., p.1

301 This excludes the performance targets for *total output costs*.

Table 11.22: Performance Output Variation

Output	2007-08 Target	2007-08 Actual	Variation
	Number	Number	%
Strategic Policy Advice Number of briefs	3,050	6,500	113
Government Information Services and Support Communication activities/products reviewed by the Government Communications Review Group	130	224	72
State Services Authority Referred reviews underway or completed, aimed at improving service delivery, governance and/or public administration efficiency and effectiveness	12	18	50
Formal events and activities delivered across the public sector that promote values and employment principles; effective workplace planning and development; good governance in public sector entities; and effectiveness in public administration	80	206	158
Ombudsman Victoria Finalise consideration of cases (including general, Freedom of Information and Whistleblower complaints)	3,100	8,741	182
Arts Development and Access Regional Touring Victoria destinations	53	43	-19
Arts Portfolio Agencies Public Records Office Victoria – digital records preserved	700,000	143,220	-80

Source: Department of Premier and Cabinet, Response to the Committee's Financial and Performance Questionnaire - Part Two, pp.2-4.

The Department responded to the Committee's Questionnaire as follows:[302]

1. Number of briefs

Q: Please explain the reasons for increased demand and comment on the accuracy of the establishment of the Department's estimates. Is any assessment made of the quality of the briefs? Is so, what was the outcome of these assessments?

A: The increased demand for advice is due to the complex nature of resolving key policy issues and the increased coordination required to manage departmental interrelations at a State and national level. For example, National Reform and Climate Change.

Estimates are established based on likely trends, Ministerial preference and historical performance.

The quality of policy advice provided in the briefs is assessed through the Policy Services Rating Questionnaire completed by the Department's senior executive. These results are published in the Budget Papers and Annual Report. The 2007-08 quality rating was 87 per cent, against the target of 86 per cent.

302 Department of Premier and Cabinet, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, pp 2-4

2. Communication activities/products reviewed by the Government Communications Review Group (GCRG)

Q: Please indicate the reasons for this higher than average utilisation.

A: Increased departmental awareness of the GCRG requirements has lead to an increase in the number of activities/products submitted for review.

Targets for this measure will be adjusted once the number of activities/products submitted by departments stabilises, and the submission requirements set by GCRG are reviewed and reissued.

3. Referred reviews underway or completed, aimed at improving service delivery, governance and/or public administration efficiency and effectiveness

Q: Please indicate the reasons for this higher than planned result.

A: In addition to developing an annual work program, the State Services Authority is also required to undertake reviews as requested under Section 50, Public Administration Act. The requests under this Section were greater than anticipated.

4. Formal events and activities delivered across the public sector that promote values and employment principles; effective workplace planning and development; good governance in public sector entities; and effectiveness in public administration

Q: Please detail which departments and agencies participated in these events, the number held and costs incurred.

A: 121 departments and agencies participated in these events in 2007-08[303]. Extracting the costs incurred for these events would take substantial time and resources.

5. Finalise consideration of cases (including general, Freedom of Information and Whistleblower complaints)

Q: This variance has been attributed to the use of a new case management system. Please indicate whether this substantial increase has effected a reduction in case backlogging.

A: The new system allows for efficiencies in the way complaints are handled, including improved capture and counting of approaches made to the office. Ombudsman Victoria's workload has increased by 13 per cent in 2007-08 compared to 2006-07. This increase is consistent with the upward trend in the number of complaints reported.

Ombudsman Victoria continues to meet its targets for complaints resolved within required timelines, but this has been possible only because of the introduction of the new case management system and the consequent efficiencies in complaint handling.

6. Regional Touring Victoria destinations

Q: Please provide an itemised list of regions receiving funding.

A: 45 regions received the funding[304].

303 The departments and agencies are listed in Appendix 1 of the Department's response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two. The response can be downloaded from the Committee's website [*link*].

304 The regions are listed on p.3 & 4 of the Department's response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two. The response can be downloaded from the Committee's website [*link*].

7. Public Records Office Victoria digital records preserved

Q: This output variance (nearly 80 per cent below target) is attributed to a more 'accurate estimation of digital records' by departments. Please indicate whether all departments fully complied with requirements for digital record preservation in 2007-08.

A: All departments fully complied with requirements for digital records preservation in 2007-08.

Committee Comment

The Committee expects the Public Records Office Victoria to provide more accurate estimates of performance targets in future.

11.10 Department of Planning and Community Development

11.10.1 Total output costs

The total cost to deliver the Department's 14 major outputs in 2007-08 was $421.1 million. This is $40.8 million or 11 per cent higher than budget. Four of the output areas reported additional expenditure in excess of 10 per cent, whereas another four reported expenditure in excess of 10 per cent below target.

Table 11.23: Total Output Cost

Output	2007-08 Target	2007-08 Actual	Variation	
	($ million)	($ million)	($ million)	%
Local government sector development	43.5	44.5	1.0	2
Citizen engagement and information services	10.2	1.7	-8.5(a)	-83
Community strengthening	39.6	19.2	-20.4(b)	-52
Sport and recreation sector development	55.8	93.8	38.0(c)	68
Planning, urban design and housing affordability	71.5	99.0	27.5(d)	38
Heritage protection	10.2	11.7	1.5(e)	15
Youth affairs	14.9	14.7	-0.2	-1
Multicultural affairs	10.4	10.1	-0.3	-3
Women's policy	4.9	4.3	-0.6(f)	-12
Seniors and veterans	11.2	11.1	-0.1	-1
Indigenous community and cultural development	30.8	24.7	-6.1(g)	-20
Disability	6.4	7.0	0.6	9
Neighbourhood houses	18.9	19.0	0.1	1
Adult and community education	52.0	60.3	8.3(h)	16
Total	**380.3**	**421.1**	**40.8**	**11**

Notes: (a) *The Department explained that majority of the outputs were transferred to the Department of Innovation Industry and Regional Development during the year*[305].

(b) *2007-08 target included an adjustment of $17.8 million for the Community Support Fund (difference between estimated revenue of $90.2 million and estimated payments of $108 million). Variation in output cost was due to higher revenue received of $96.9 million and lower payments of $94.1 million from the Community Support Fund*[306].

(c) *Variation was due to additional funding received for Drought Response initiatives and initiatives announced as part of the 2008-09 budget*[307].

(d) *Variation reflects the revised budget to include the machinery of government transfer of the Transit Cities funding from the Department of Transport*[308].

(e) *Variation reflects additional funding received for the Heritage Works Package as part of the 2008-09 budget*[309].

(f) *2007-08 target excluded the estimated carryover of $0.55 million for the Family Violence Unit*[310].

(g) *Variation was due to a budget revision for lower than estimated carryover from 2006-07, as well as lower than expected expenditure in 2007-08 for the Aboriginal Land and Economic Development Program*[311].

(h) *Variation reflects additional revenue from the Commonwealth Government and payments relating to the Youth Guarantee program that were not confirmed at the time of the 2007-08 budget*[312].

Source: Department of Planning and Community Development, Annual Report 2007-08.

The Committee sought further information about material variations reported in two output areas: *Sport and recreation sector development*, and *adult and community education*. The Department responded to the Committee's Questionnaire as follows:[313]

1. Sport and recreation sector development

Q: This variation is attributed in the Annual Report to Drought Response initiatives and other initiatives announced in the 2008-09 budget. Please provide details of these initiatives and related expenditure and comment on the accuracy of the Departments planning and estimates for this expenditure.

A: The nature of the portfolio dictates that large year-to-year variations will be experienced when Victoria hosts major events and receives funding for key sport and recreation related initiatives. As stated in the budget papers, the restated base figure for 2007-08 of $55.8 million increased to a final actual outcome figure of $93.8 million. This increase relates to a number of significant one-off projects which received advances, such as the Drought Assistance Funding and Synthetic Surfaces program, and the bringing forward of expenditure against projects from 2008-09 allocations ($2 million). The remainder of the variation in funding relates to expenditure on:

- improving community access to AFL training grounds project ($10.5 million);
- Synthetic Surfaces Drought Assistance funding ($8.3 million);
- improving community access to VFL training grounds project ($4 million);
- new works for the MCG Concourse ($9.5 million); and
- Days in the Diocese major event ($3.7 million).

305 Department of Planning and Community Development, *Annual Report 2007-08,* p.32
306 ibid., p.35
307 ibid, p.38
308 ibid, p.41
309 ibid, p.43
310 ibid, p.49
311 ibid, p.54
312 ibid, p.60
313 Department of Planning and Community Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.2 & 3

2. Adult and community education

Q: This increase is attributed to additional revenue from the Commonwealth Government and payments relating to the Youth Guarantee program. Please provide details of the additional Commonwealth funding, including the purpose and value of the funding and how this additional funding was allocated and differentiated from State funded initiatives.

A: Refer to summary below.

Table 11.24: Adult and Community education

Output	Allocation		Remarks
	State	C'wealth	
	$ million	$ million	
Youth Guarantee and related youth delivery	4.5	-	
Other program funding	1.2	-	Funding allocated towards a number of programs, including ACE Minor Capital Works Program and development of training materials to support Responsible Gaming initiative of the Department of Justice. This was recognised as post budget revenue.
Corporate overheads	0.8	-	A revision of overhead costs took place in August 2007 following machinery of government changes.
Adult Learners' Week	-	0.1	Project is monitored by the ACFE Board and separately reported to the Commonwealth.
2007/08 LearnScope	-	0.1	As above.
Australian Working Together	-	0.6	Funds support targeted delivery of training separately reported in the national statistical collection AVETMISS.
Transfer of 2006-07 Commonwealth funds	-	1.0	Funds were transferred to DPCD post output publication as a consequence of machinery of government changes.
TOTAL	6.5	1.8	

Source: Department for Planning and Community Development, Response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.3

11.10.2 Performance against output targets

The Department achieved or exceeded 126 (89 per cent) of its 142[314] performance output targets reported in 2007-08. However, 36 (44 per cent) of the performance measures recorded a variation in excess of 10 per cent. Ten (7 per cent) of these were variations where the Department did not achieve the related performance targets.

[314] This excludes the performance targets for *total output costs*.

The Committee sought further information about the following output variations in 2007-08:

Table 11.25: Performance Output Variation

Output	2007-08 Target	2007-08 Actual	Variation	
			($ million)	%
Local Government Sector Development Meetings held by Best Value Commission with Councils (number)	4	-	-4	-100
Community Strengthening Volunteering Small Grants approved (number)	90-120	215	125-95	139-79
Sport and Recreation Sector Development Community Sporting Facility Grants approved (number)	>120	308	188	157
Planning, Urban Design and Housing Affordability Prior authorisations of planning scheme amendments (number)	400	272	-128	-32
Transit Cities projects/works delivered in accordance with agreed plans (per cent)	80(a) 100(b)	80	N/A	N/A
Planning permits issued within statutory timelines (per cent)	98	47	-51	-52
Urban Development Program (UDP) prepared (date)	Dec 2007	March 2008	-3 months	N/A
Transit Cities projects progressed in accordance with agreed timelines (per cent)	80(a) 100(b)	80	N/A	N/A
Women's Policy Women participating in consultations (number)	1,000	500	-500	-50
Adult and Community Education Minimum target for ACE and adult education institution students funded through Youth Pathways Program (number)	500	N/A	N/A	N/A

Notes: *(a) Target as stated in Department of Planning and Community Development Annual Report 2007-08.*

(b) Target identified, for Department of Sustainability and Environment, in Budget Paper No. 3 2007-08.

Source: *Department for Planning and Community Development, Response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, pp.4-6.*

The Department's responses to the Committee's Questionnaire are as follows:[315]

1. Meetings held by Best Value Commission with Councils

Q: *Please explain why there were no meetings held?*

A: The Best Value Commission's last term ended on 31 Dec 2007. A review of the Commission recommended that the Commission be dissolved, which was accepted by the Minister. No meetings were conducted while the review was being undertaken.

315 Department of Planning and Community Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.4-6

2. Volunteering Small Grants approved

Q: Please identify whether the exceeded target for grants required extra funding and if so, please detail how much and where the funding was sourced from.

A: The target, which reflects the maximum available amount of $5,000, was exceeded because the average grant amount was $3,000 to allow for a greater number of grant approvals within the original allocation. Program delivery efficiencies have also contributed to the greater numbers and are likely to produce a higher number in 2008-09.

3. Community Sporting Facility Grants approved

Q: Please identify whether the exceeded target for grants required extra funding and if so, please detail how much and where the funding was sourced from.

A: The target was exceeded as a result of funding for the Drought Relief for Community Sport and Recreation Program 2008 (175 projects) and the Synthetic Surfaces Program (eight projects). The funding was part of the whole-of-government response to the continuing drought.

4. Prior authorisations of planning scheme amendments

Q: Please explain the reason for the lower number of prior authorisations.

A: Councils across the State submitted fewer requests for prior authorisation. Variations in the number of authorisations requested have many causes, such as:

- economic conditions;
- progress of existing amendments, strategic projects (e.g. structure plans), Council policy development;
- community expectations; and
- Council election cycles.

5. Transit Cities projects/works delivered in accordance with agreed plans

Q: Please explain why the target stated in the Annual Report differs from the target identified in the 2007-08 Budget and why the actual output is below this original target.

A: The target of 100 per cent relates to work performed on Transit Cities within the Department of Transport. It does not relate to that part of the Transit Cities program for which the Department of Planning and Community Development is responsible. The Transit Cities performance measure for the Department of Planning and Community Development (as stated on p.212 of the 2007-08 Budget Paper No. 3) was 80 per cent. This target was met.

6. Planning permits issued within statutory timelines

Q: Please explain the factors for the delays in issuing planning permits.

A: The target of 98 per cent was not met due to a number of factors, including complexities of applications, time taken to receive mandatory referral comments and applications held in abeyance at the request of the applicants.

Committee Comment

The Committee is concerned over the extraordinarily low achievement against target. This result calls into question the achievability of the original target.

7. Urban Development Program (UDP) prepared

Q: Please explain the reason for the delay, including the role played by changes in machinery of government.

A: The 2007 UDP was delayed pending finalisation and analysis of future population forecasts following release of the 2006 census data. The 2006 Australian Census and other recent data show that net overseas migration is at record highs, and is driving residential dwelling demand in Victoria. The interim projections for new households based on these data and the resultant impact on available residential land stock needed to be properly assessed and understood before the release of land supply forecasts.

8. Transit Cities projects progressed in accordance with agreed timelines

Q: Please explain why the target stated in the Annual Report differs from the target identified in the 2007-08 Budget and why the actual output is below this original target.

A: As in Q&A 5 above.

9. Women participating in consultations

Q: Please explain why online consultations have been discontinued.

A: A number of focused and in-depth consultations were undertaken in 2007-08 for the development of activities such as the Women's Policy Framework 2008-11, the Financial Literacy Project, the Centenary of Suffrage and other projects. Based on the learnings from this process, the Office of Women's Policy decided that online consultation was not the most appropriate communication mechanism.

10. Minimum target for ACE and adult education institution students funded through Youth Pathways Program

Q: Please indicate the actual result (not included in Annual Report) and if there is a variance greater than 10 per cent please provide details explaining why.

A: The Youth Pathways Program targets identified in the Budget Paper are for the calendar year 2008. Actual results will not be available until the statistics are collated and validated, which is anticipated to occur in March 2009.

11.11 Department of Treasury and Finance

11.11.1 Total output costs

The total cost to deliver the Department's 13 major outputs in 2007-08 was $227.9 million. This is $0.1 million (less than 1 per cent) higher than budget. Three of the output areas reported additional expenditure in excess of 10 per cent, whereas two others reported expenditure in excess of 10 per cent below budget. *Economic and financial policy: research and development* reported the largest additional expenditure (28 per cent), while *economic and financial policy: analysis and advice* recorded the most significant expenditure (69 per cent) below budget.

Table 11.26: Total Output Cost

Output	2007-08 Target	2007-08 Actual	Variation		
	($ million)	($ million)	($ million)	%	Note
Financial and resource management frameworks	5.4	4.5	-0.9	-17	(a)
Budget and financial policy advice	13.1	11.9	-1.2	-9	(a)
Economic and financial policy: Analysis and advice	16.5	5.1	-11.4	-69	(b)
Economic and financial policy: Research and development	6.0	7.7	1.7	28	(c)
Financial reporting	10.4	11.0	0.6	6	(a)
GBE performance monitoring services	3.0	3.4	0.4	13	(d)
Public financial corporations and balance sheet management	3.3	3.1	-0.2	-6	
Commercial and infrastructure project management	11.5	11.7	0.2	2	
Government services	63.1	68.2	5.1	8	
Government land and property services	10.0	10.9	0.9	9	
Economic regulatory services	12.7	15.7	3.0	24	(e)
Business environment policy advice	5.5	5.8	0.3	5	
Revenue management services to Government	67.3	68.9	1.6	2	
Total	**227.8**	**227.9**	**0.1**	**0.1**	

Notes: *(a) Output costs were reprioritised within Financial Reporting, Financial and Resource Management Framework, and Budget and Financial Policy Advice output budgets to meet changing workloads[316].*

(b) Variance was mainly due to the Victorian Workcover Authority not requiring the grant funding for public safety activities in 2006-07 and 2007-08, totalling $11.1 million across the two years[317].

(c) Additional costs were incurred for the Better Regulation Unit, including a transfer from POBOS Appropriation pursuant to Section 30 of the Financial Management Act 1999 and additional funding approved in December 2007 for various Research & Development projects[318].

(d) Additional costs were incurred a result of internal refunding of overheads and general output costs[319].

(e) Variance was mainly due to: ESC Price Determination for Water; The Victorian Renewable Target Scheme and Victorian Energy Efficiency Target Scheme; and the Supreme Court appeal by Alinta Asset Management[320].

Sources: *Department of Treasure and Finance, Annual Report 2007-08 and Response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two.*

316 Department of Treasury and Finance, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.1
317 ibid
318 ibid
319 ibid
320 ibid, p.2

11.11.2 Performance against output targets

The Department achieved or exceeded 78 (81 per cent) of its 96[321] performance output targets reported in 2007-08. However, 37 (39 per cent) of the performance measures recorded a variation in excess of 10 per cent. Thirteen (14 per cent) of these were negative variations.

The Committee sought further information about the following output variations in 2007-08:

Table 11.27: Performance Output Variation

Output	2007-08 Target	2007-08 Actual	Variation	
				%
Economic and financial policy: Analysis and advice Accuracy of estimating State taxation revenue (per cent)	< 5.0	-10.9	N/A	-318
Public financial corporations and balance sheet management Public financial corporation corporate plans reviewed and assessed (number)	7	5	-2	-29

Source: Department of Treasury and Finance, Response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.3

The Department's responses to the Committee's Questionnaire are as follows:[322]

1. Accuracy of estimating State taxation revenue

Q: Given that the estimate was exceeded due to a strong economy and higher than expected payroll tax, land tax and land transfer revenue, has the department implemented any strategies and risk management processes designed to improve the accuracy of revenue estimation practices in future, in view of the impact that the global financial crisis and other economic variables may have on Victoria's revenue base?

A: The Department has improved its quality assurance processes and continued to review and update forecasting procedures to enhance accuracy. In view of the global economic and financial crisis, the monitoring of both taxation revenue and economic variables, and related information that influence them, has been intensified. This includes more regular assessments of risks to the taxation revenue forecasts.

2. Public financial corporation corporate plans reviewed and assessed

Q: Why were only five plans reviewed and assessed?

A: The Department did not meet the target as two of the plans for the Transport Accident Commission and the Victorian Workcover Authority were not available for assessment until after 30 June 2008.

321 This excludes the performance targets for *total output costs*.

322 Department of Treasury and Finance, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.3

CHAPTER 12: ENVIRONMENTAL OUTCOMES

Key Findings of the Committee:

12.1 **Total energy usage across the 10 departments increased by 3.6 per cent in 2007-08 from the previous year, from 256,012 gigajoules to 265,344 gigajoules. *Green Power* use rose only by 1.3 per cent from 31,044 gigajoules to 31,453 gigajoules, indicating that the higher demand for energy in 2007-08 was met mostly by means other than *Green Power*.**

12.2 **The Department of Sustainability and Environment and the Department of Planning and Community Development continued to be the two largest purchasers of *Green Power*. Together, these two departments used *Green Power* to meet 22 per cent of their total energy demand, compared to between eight and 9 per cent per cent achieved by the three largest energy consumers and greenhouse gas producers, the Department of Primary Industries, the Department of Human Services and the Department of Justice.**

12.3 **Departments were required to disclose total units of office waste disposed of by destination for the first time in 2007-08. While all departments provided current year data, four departments (the Department of Innovation, Industry and Regional Development, the Department of Transport, the Department of Justice, and the Department of Primary Industries) did not include previous year's comparative data. As such, the Committee was unable to determine if total waste generated by these four departments has reduced or otherwise.**

12.4 **The other six departments reported a 14 per cent reduction in total waste in 2007-08.**

12.5 **With the exception of the Department of Human Services, all the departments and environmental agencies achieved an office waste recycling rate of 80 per cent or higher.**

12.6 **None of the departments disclosed the optional FRD 24C performance measures: total units of A4 equivalent copy paper used in publications and percentage of publications available electronically.**

12.7 **The Department of Treasury and Finance reported that total water consumption on the Treasury Reserve dropped approximately 22 per cent in 2007-08. Of the other six departments which provided data, three departments recorded a reduction in water consumption in excess of 10 per cent.**

12.8 **Excluding the Department of Education and Early Childhood Development, total energy usage by vehicle fleets across the other nine departments decreased by 3 per cent, from 319,658 gigajoules in 2006-07 to 310,261 gigajoules in 2007-08.**

12.9 **Travel associated with entity operations rose by 11 per cent, from 82.6 million kilometres in 2006-07 to 92 million kilometres in 2007-08. This averaged approximately 3,150 kilometres travelled for every department EFT in 2007-08. As in the previous year, the Department of Human Services registered the highest mileage, representing 41 per cent of total distance across the 10 departments.**

12.10 **Departments disclosed total distance travelled by air for the first time in 2007-08. The 10 departments registered a total distance travelled of 21 million kilometres. The Department of Justice recorded the highest mileage at 4.6 million kilometres, representing 22 per cent of the 10 departments' combined total.**

12.11 Total greenhouse gas emissions associated with energy use across all departments fell by 1.6 per cent in 2007-08, from 72,421 tonnes to 71,279 tonnes of CO_2 equivalent. Due to data coverage issues arising in a number of departments, this figure should not be compared directly to the quantity of *Green Power* purchased.

12.12 Departments were required to disclose greenhouse gas emission offset purchased for the first time in 2007-08. Only three departments disclosed specific amounts of offset purchased.

12.13 All departments have taken steps to minimise the environmental impact resulting from paper used in publications. These steps primarily involve minimising hard copy printing and where hard copy printing is necessary, printing on environmentally sustainable papers.

12.1 Introduction

A survey conducted in 2008 showed that 84 per cent of Victorians are concerned about the present State of the environment.[323] Overall, 33 per cent of Victorians nominated environmental issues as the most important matter for the State government to attend to.[324]

Financial Reporting Directive (FRD) 24C (reporting of office-based environmental data by government entities) requires all departments and environmental agencies to report performance against a number of environmental indicators. These indicators relate to the reporting entities' consumption of resources and production of greenhouse gas. By examining FRD 24C reporting, the Committee has evaluated the departments and environmental agencies performance in improving efficient use of resources and reducing environmental impacts.

12.2 Environmental Reporting Directions of the Minister for Finance – FRD 24C

Under FRD 24C, disclosures relating to the following office-based environmental indicators are made:

- energy use;
- waste production;
- paper use;
- water consumption;
- transportation fuel consumption;
- greenhouse gas emissions; and
- sustainable procurement.

FRD24 was updated from version B to version C during 2008, to incorporate new reporting requirements around greenhouse gas emissions and sustainable procurement practices.

The following sections of this report examine the performance of departments and agencies in relation to the reporting requirements of FRD 24C.

323 Sustainability Victoria, *Green Light Report: Victorians and the Environment in 2008, 2008,* p.6

324 ibid., p.7

12.2.1 Energy use

Total energy usage across the 10 departments increased by 3.6 per cent in 2007-08 from the previous year, from 256,012 gigajoules to 265,344 gigajoules. *Green Power* use rose by only 1.3 per cent from 31,044 gigajoules to 31,453 gigajoules, indicating that the higher demand for energy in 2007-08 was met mostly by the use of non-renewable sources.

The Department of Justice, the Department of Planning and Community Development, and the Department of Transport reported the highest year-to-year increases in energy usage.

The Department of Justice consumed 26,165 gigajoules in 2007-08, an increase of 98 per cent from the previous year. The Department of Justice explained that office-based energy data used for reporting in 2007-08 covered 43 per cent of full time equivalent staff and 30 per cent of all the departmental locations, whereas the 2006-07 data covered only 31 per cent of EFT staff and 1.5 per cent of departmental locations.[325] While the Committee was pleased to note the increased coverage by the Department in 2007-08, it remains concerned that less than 50 per cent of the workforce and only 30 per cent of locations are represented in the data and encourages the Department to ensure that in future years, comparable historical data is presented.[326]

Recommendation 26: **The Department of Justice report office-based energy use for all staff and all locations in its 2008-09 Annual Report.**

The Department of Planning and Community Development consumed 6,236 gigajoules in 2007-08, an increase of 45 per cent from previous year. The Department explained that this significantly higher energy usage was due to the machinery of government changes. In August 2007, the former Department for Victorian Communities and the planning functions of the Department of Sustainability and Environment were combined with the Department of Planning and Community Development.

The Department of Transport consumed 10,093 gigajoules, 21 per cent higher than previous year's consumption. The increase in energy usage was due to co-location of two sites during relocation and refurbishment of the Department's offices.[327]

As in 2006-07, the Department of Primary Industries again reported the highest overall energy consumption, using 91,947 gigajoules in 2007-08. It also registered the highest per EFT energy consumption and the highest energy intensity (energy used per m2 office space) among the 10 departments. However, the Department's overall energy usage was 6 per cent lower than in 2006-07. This was attributed to improved mapping and monitoring following the introduction of a multi-year Environmental Improvement Roadmap in 2007-08.[328]

The Department of Sustainability and Environment and the Department of Planning and Community Development continued to be the two largest purchasers of *Green Power* representing 28 per cent and 22 per cent of total power respectively.[329] The Department of Primary Industries, the Department of Human Services and the Department of Justice, three of the largest energy consumers and greenhouse gas producers, purchased only 8 to 9 per cent in 2007-08.

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325 Department of Justice, *Annual Report 2007-08*, p.138

326 Department of Justice reporting includes Community Correctional Officer and Sheriff's Offices, but does not include Victoria Police (reported in their annual report), Metropolitan Fire and Emergency Services Board (reported in their annual report), Country Fire Authority (not reported) or the State Emergency Services (not reported).

327 Department of Transport, *Annual Report 2007-08*, p.210

328 Department of Primary Industries, *Financial Statements & Appendices 2007-08*, p.60

329 *Green Power* is electricity supplied through a government accredited *Green Power* scheme.

The Environment Protection Authority reduced energy usage marginally by 2 per cent, from 9,362 gigajoules in 2006-07 to 9,203 gigajoules in 2007-08 and 94 per cent of power purchased was *Green Power*. Sustainability Victoria reduced its energy usage by 47 per cent from 764 gigajoules in 2006-07 to 408 gigajoules in 2007-08, and continued to meet all of its energy needs with *Green Power*.

Table 12.1: Yearly Energy Consumption per Department EFT

	Units of Energy Used per EFT (megajoules)		Variation	
	2007-08	2006-07	megajoules	%
Department of Human Services	5,747	5,458	289	5.3
Department of Innovation, Industry and Regional Development	8,366	8,024	342	4.3
Department of Education and Early Childhood Development	7,928	7,669 (a)	259	3.4
Department of Infrastructure/Transport	9,216	8,104	1,112	13.7
Department of Justice	7,718	5,997	1,721	28.6
Department of Premier and Cabinet	8,232	9,018	-786	-8.7
Department of Primary Industries	39,120	38,784	336	0.9
Department of Sustainability and Environment	16,883	15,919	964	6.0
Department of Treasury and Finance	8,544	7,992	552	7.0
Department of Planning and Community Development	6,508	6,275	233	3.7

Notes: *(a) The comparative data for 2006-07 has been amended to include both central and regional offices.*

Sources: *Departmental Annual Reports 2006-07 and 2007-08.*

Table 12.2: Total Energy Consumption by Department and Environmental Agency

	Use of Electricity & Gas				Use of Green Power				Total Energy Use		Variation	
	2007-08		2006-07		2007-08		2006-07		2007-08	2006-07		
	(gigajoules)	(% of Total)	(gigajoules)	(% of Total)	(gigajoules)	(% of Total)	(gigajoules)	(% of Total)	(gigajoules)	(gigajoules)	(gigajoules)	(%)
Human Services (a)	56,219	91	55,708	89	5,700	9	7,144	11	61,919	62,852	-933	-1
Innovation, Industry and Regional Development	6,391	85	5,989	86	1,141	15	976	14	7,532	6,965	567	8
Education and Early Childhood Development (b)	8,280	86	7,789	85	1,657	17	1,325	15	9,937	9,114	823	9
Infrastructure/Transport (c)	8,357	85	7,081	85	1,556	15	1,250	15	9,913	8,331	1,582	19
Justice(d)	24,015	92	11,526	87	2,150	8	1,667	13	26,165	13,193	12,972	98
Premier and Cabinet	2,996	85	3,227	85	529	15	570	15	3,525	3,797	-272	-7
Primary Industries	84,799	92	90,289	92	7,148	8	7,477	8	91,947	97,766	-5,819	-6
Sustainability and Environment	33,378	78	35,665	80	9,455	22	9,019	20	42,833	44,684	-1,851	-4
Treasury and Finance	4,383	85	4,260	85	774	15	752	15	5,157	5,012	145	3
Planning and Community Development (e)	4,892	78	3,433	80	1344	22	865	20	6,236	4,298	1,938	45
Department Total	**233,710**	**88**	**224,967**	**88**	**31,454**	**12**	**31,045**	**12**	**265,164**	**256,012**	**9,152**	**4**
Environment Protection Authority	573	6	718	8	8,630	94	8,644	92	9,203	9,362	-159	-2
Sustainability Victoria	0	0	0	0	408	100	764	100	408	764	-356	-47
Agency Total	**573**	**6**	**718**	**79**	**9,038**	**93**	**9,408**	**92**	**9,611**	**10,126**	**-515**	**-5**

Notes: *(a) The comparative data for 2006-07 has been amended to include both central and regional offices.*

(b) In April 2008, the Department of Transport was created from the former Department of Infrastructure as part of the machinery of government changes.

(c) The comparative data for 2006-07 has been amended to reflect the effect of machinery of government changes.

(d) The Department of Justice explained that office-based energy data used for reporting in 2007-08 covered 43 per cent of EFT staff and 30 per cent of all the departmental locations, whereas the 2006-07 data covered only 31 per cent of EFT staff and 1.5 per cent of departmental locations.

(e) In August 2007, the former Department for Victorian Communities and the planning functions of the Department of Sustainability and Environment were combined with the Department of Planning and Community Development resulting in an increase in energy use within the Department of Planning and Community Development Sources: Department and agency annual reports 2006-07 and 2007-08.

Sources: *Departmental Annual Reports 2006-07 and 2007-08.*

12.2.2 Waste production

From 1 July 2007, FRD 24C requires the disclosure of total units of office waste disposed of by destination. While all departments provided data for 2007-08, four departments (the Department of Justice, the Department of Transport, the Department of Innovation, Industry and Regional Development, and the Department of Primary Industries) did not include previous year's comparative data. As such, the Committee was unable to determine if total waste generated by these four departments has reduced or otherwise.

The other six departments reported a 14 per cent reduction in total waste, from 1,217 tonnes in 2006-07 to 1,047 tonnes in 2007-08. Among these six departments, the Department of Premier and Cabinet and the Department of Sustainability and Environment achieved the biggest percentage improvement with a reduction of 34 per cent and 33 per cent respectively.

Actions taken by the Department of Premier and Cabinet to reduce office waste included reuse of office stationery and use of biodegradable rubbish bags.[330] The Department of Sustainability and Environment attributed the reduced waste to initiatives such as Green Collect, printer cartridge collection services and other recycling programs.[331]

Seven departments recorded a fall in office waste disposed of per EFT in 2007-08. However, the Department of Justice, the Department of Transport and the Department of Primary Industries each reported an increase of 22 per cent. The Department of Justice waste data was based on waste audits covering 32 per cent of the Department's total EFT and only 2 per cent of departmental locations and it attributed the increase to factors such as staff behaviour and office relocation.[332] The other two departments did not provide an explanation for the variation. The lack of explanation and the lack of detail in the explanations provided do not meet the standard of reporting that Committee would expect to see from departments and the Committee encourages all departments to ensure that where explanations for variations are provided in future annual reports, that they are detailed and precise.

330 Department of Premier and Cabinet, *Annual Report 2007-08*, p.103
331 Department of Sustainability and Environment, *Annual Report 2007-08*, p.16
332 Department of Justice, *Annual Report 2007-08*, p.139

Table 12.3: Total Office Waste Disposed and Office Waste Disposed per EFT by Department and Environmental Agency

	Total Office Waste Disposed				Office Waste Disposed per EFT			
	2007-08	2006-07	Variation		2007-08	2006-07	Variation	
	(kilograms)	(kilograms)	(kilograms)	(%)	(kilograms)	(kilograms)	(kilograms)	(%)
Department of Human Services	593,120	648,185	-55,065	-8	88	95 (c)	-7	-7
Department of Innovation, Industry and Regional Development	49,710(a)	(b)	N/A	N/A	49	74	-25	-33
Department of Education and Early Childhood Development	109,027	135,074	-26,047	-19	87	124	-37	-30
Department of Infrastructure/Transport	84,765	(b)	N/A	N/A	79	65	14	22
Department of Justice	182,426	(b)	N/A	N/A	90	73	17	23
Department of Premier and Cabinet	32,332	49,257	-16,925	-34	76	117	-41	-35
Department of Primary Industries	73,220	(b)	N/A	N/A	79	65	14	22
Department of Sustainability and Environment	176,354	264,745	-88,391	-33	69	94	-25	-26
Department of Treasury and Finance	71,891	77,121	-5,230	-7	119	123	-4	-3
Department of Planning and Community Development	64,661(d)	43,174(d)	21,487	50	67	70	-3	-4
Total	**1,437,506**	**1,217,556**	**219,950**	**18**	**80**	**90**	**-10**	**-11**
Environment Protection Authority	19,779	21,042	-1,263	-6	52	57	-5	-10
Sustainability Victoria	(b)	(b)	N/A	N/A	49	47	2	4

Notes: *(a) Estimated based on total units of waste recycled and recycling rate disclosed in the Department's annual report.*

(b) Current/Prior year data for this new FRD 24C disclosure requirement were not provided in the annual reports.

(c) The comparative data for 2006-07 has been amended to reflect the effect of 2007-08 machinery of government changes.

(d) As part of the machinery of government changes, the former Department for Victorian Communities and the planning functions of the Department of Sustainability and Environment were combined with the Department of Planning and Community Development in August 2007.

Sources: *Departmental and Agency Annual Reports 2007-08.*

With the exception of the Department of Human Services, all departments and environmental agencies achieved a recycling rate of 80 per cent or higher. The Department of Premier and Cabinet and the Department of Treasury and Finance both reported a recycling rate in excess of 90 per cent. The Department of Human Services improved its recycling rate from 35 per cent in 2006-07 to 73 per cent in 2007-08. The Department explained that its waste management system was made available to more staff in 2007-08.

The Environment Protection Authority achieved an 8 per cent reduction in office waste disposed of per EFT, while Sustainability Victoria reported a slight increase of 4 per cent.

Overall, departments and environmental agencies achieved considerable improvements in minimising office waste and maximising recycling in 2007-08.

Table 12.4: Recycling Rate by Department & Agency

	Recycling Rate		Variation
	2007-08	2006-07	
	(%)	(%)	(%)
Department of Human Services	73	35	109
Department of Innovation, Industry and Regional Development	88	(a)	N/A
Department of Education and Early Childhood Development	82	90	-9
Department of Infrastructure/Transport	83	(a)	N/A
Department of Justice	83	(a)	N/A
Department of Premier and Cabinet	93	(a)	N/A
Department of Primary Industries	80	(a)	N/A
Department of Sustainability and Environment	87	92	-5
Department of Treasury and Finance	91	(a)	N/A
Department of Planning and Community Development	85	75	13
Environment Protection Authority	82	81	1
Sustainability Victoria	90	85	6

Notes: (a) Comparative data for this new FRD 24C disclosure requirement were not provided.

Sources: Departmental and Agency Annual Reports 2007-08.

12.2.3 Paper Use

Ten departments increased A4 equivalent copy paper usage in 2007-08. Total usage was 373,273 reams, an increase of 2 per cent from 2006-07.

The Department of Justice reported the biggest increase in usage with 60,674 reams used in 2007-08, an increase of 63 per cent from the previous year. However, usage per EFT fell marginally from 21 reams to 20 reams over these periods. The Department disclosed that more departmental locations were covered in 2007-08. Previous year's data excluded community correctional offices and sheriff offices.[333]

The Department of Human Services continued to be the largest user of A4 equivalent copy paper. The Department used 132,602 reams, representing 36 per cent of total usage across the 10 departments in 2007-08. However, the Department's usage in 2007-08 was 8 per cent lower than that in 2006-07 and usage per EFT was among the lowest of all departments.

[333] Department of Justice, *Annual Report 2007-08*, p.138

The Department of Education and Early Childhood Development recorded the highest per EFT consumption at 25 reams, an increase of 3 per cent from previous year. The Department explained that the higher consumption was partly due to a miscalculation in the independent stationery supplier's 2006-07 data.[334]

Last year, the Department of Treasury and Finance advised the Committee that plans would be developed to reduce paper consumption. In 2007-08, the Department's use of A4 equivalent copy papers increased by another 322 reams or 3 per cent from the previous year. Its usage per EFT of 22 reams was the third highest among all departments.

The Department of Primary Industries reported the lowest per capita consumption at 11 reams, compared to 13 reams in the previous year.

Except for the Department of Education and Early Childhood Development, all the departments purchased copy papers with a recycled content higher than 80 per cent. Both the Department of Premier and Cabinet and the Department of Transport used copy papers with a 100 per cent recycled content. In the Department of Education and Early Childhood Development, the recycled content of copy paper was 69 per cent in 2007-08, a considerable improvement from just 18 per cent in the previous year.

The Committee noted that none of the departments disclosed the optional FRD 24C performance measures:

- total units of A4 equivalent copy paper used in publications; and
- percentage of publications available electronically.

Copy papers used by the Environment Protection Authority and Sustainability Victoria rose by 16 per cent to 4,368 reams in 2007-08. In addition, the two environmental entities' per capita consumption increased by 2 per cent to 16 reams per EFT. Both entities reported a recycled content of 80 per cent in 2007-08.

The overall usage of A4 equivalent papers in 2007-08 remained high. However, almost all the departments and environmental entities used papers with a high (80 per cent or higher) recycled content.

Recommendation 27: **The Department of Treasury and Finance revise FRD 24C to require mandatory disclosure of papers used in publications and percentage of publications available electronically.**

334 Department of Education and Early Childhood Development, *Annual Report 2007-08,* p.161

Table 12.5: Total A4 Equivalent Copy Papers Used and A4 Equivalent Copy Papers Used per EFT by Department and Environmental Agency

	Total A4 Equivalent Copy Papers Used				A4 Equivalent Copy Papers Used per EFT			
	2007-08	2006-07	Variation		2007-08	2006-07	Variation	
	(reams)	(reams)	(reams)	(%)	(reams)	(reams)	(reams)	(%)
Department of Human Services	132,602	143,396 (a)	-10,794	-8	12	12	0	0
Department of Innovation, Industry and Regional Development	15,242	17,100	-1,858	-11	17	20	-3	-14
Department of Education and Early Childhood Development	31,515	26,158	5,357	20	25	22	3	14
Department of Infrastructure/Transport	21,493	20,544	949	5	20	20	0	0
Department of Justice	60,674	37,322	23,352	63	20	21	-1	-5
Department of Premier and Cabinet	9,880	10,463	-583	-6	23	23	0	0
Department of Primary Industries	27,990	32,209	-4,219	-13	11	13	-2	-13
Department of Sustainability and Environment	44,982	51,057	-6,075	-12	18	18	0	-3
Department of Treasury and Finance	13,171	12,849	322	3	22	19	3	15
Department of Planning and Community Development	15,724	13,163	2,561	19	16	19	-3	-16
Department Total	373,273	364,261	9,012	2				
Environment Protection Authority	3,575	3,110	465	15	9	8	1	18
Sustainability Victoria	793	651	142	22	6	6	0	0
Total	4,368	3,761	607	16				

Notes: (a) The comparative data for 2006-07 have been amended to include the Department's reprographics unit.

Sources: Departmental and Agency Annual Reports 2006-07 and 2007-08.

Table 12.6: Percentage of Recycled Content in Copy Papers Purchased by Department & Agency

Department/Agency	Percentage of Recycled Content in Copy Papers Purchased		Variation
	2007-08	2006-07	
	(%)	(%)	(%)
Department of Human Services	83	(a)	N/A
Department of Innovation, Industry and Regional Development	96	(a)	N/A
Department of Education and Early Childhood Development	69	18	>100
Department of Infrastructure/Transport	100	(a)	N/A
Department of Justice	92	(a)	N/A
Department of Premier and Cabinet	100	(a)	N/A
Department of Primary Industries	92	(a)	N/A
Department of Sustainability and Environment	92	(a)	N/A
Department of Treasury and Finance	99	(a)	N/A
Department of Planning and Community Development	94	98	-4
Environment Protection Authority	79	(a)	N/A
Sustainability Victoria	80	80	0

Notes: (a) Comparative data for this new FRD 24C disclosure requirement was not provided.

Sources: Departmental and Agency Annual Reports 2007-08.

12.2.4 Water Consumption

As in 2006-07, four departments (the Department of Innovation, Industry and Regional Development, the Department of Education and Early Childhood Development, the Department of Premier and Cabinet, and the Department of Treasury and Finance) were unable to provide full details on water consumption because the water reticulation systems on the Treasury Reserve could not adequately allow billing data to be attributed to individual departments. However, the Department of Treasury and Finance reported that total water consumption on the Treasury Reserve dropped approximately 22 per cent in 2007-08. The Department also disclosed that a water sub-metering system has been installed to enable accurate annual reporting and on-going water consumption management in the future.[335]

Among the other six departments, the Department of Primary Industries recorded the highest water consumption in 2007-08 at 106,120 kilolitres. However, the Department explained that the two years' consumption data were not comparable due to a change in reporting methodology. The Department's water consumption reported in 2007-08 was based on actual domestic metered and billed water at 62.9 per cent of the departmental sites. These sites included meters at dedicated offices as well as locations for non-core activities, such as research. In 2006-07, water consumption was reported based on an extrapolation of data collected from water meters at a limited number of locations.[336]

335 Department of Treasury and Finance, *Annual Report 2007-08*, p.103

336 Department of Primary Industries, *Financial Statements & Appendices 2007-08*, p.61 & 62

The Department of Transport recorded a significant reduction in water consumption, from 14,401 kilolitres in 2006-07 to 4,041 kilolitres in 2007-08. In addition, usage per EFT reduced from 14 kilolitres to 13 kilolitres. However, the Department explained that the two years' consumption data were not comparable due to machinery of government changes. In April 2008, the Department of Transport was created from the former Department of Infrastructure. These changes included the transfer of Major Projects Victoria to the Department of Innovation, Industry and Regional Development.

In addition, the Department of Infrastructure reported last year that it occupied multi-tenanted buildings which were not separately metered. As such, water consumption was estimated and extrapolated.[337] The Department of Transport relocated in 2007-08 to a building where water meters were installed on every floor. This allowed the department to report water consumption based on meter readings.[338]

The Department of Justice also recorded an apparent significant reduction in water consumption, from 23,228 kilolitres in 2006-07 to 11,411 kilolitres in 2007-08. However, water data in 2007-08 from 121 Exhibition Street was extrapolated based on tenancy only usage, which was not possible during 2006-07.[339] More importantly, usage per EFT remained at the previous year's level of 12 kilolitres.

The Committee commends the Department of Justice and the Department of Primary Industries for their efforts to improve their reporting capacity and looks forward to their reporting in 2008-09 on all Departmental locations. The Committee encourages all departments to take the required steps to ensure more comprehensive reporting is available in the future.

The Department of Sustainability and Environment is another department which reduced water consumption considerably in 2007-08. The Department's water usage fell from 13,671 kilolitres in 2006-07 to 10,183 kilolitres in 2007-08. In addition, usage per EFT fell from 11 kilolitres to eight kilolitres. The Department explained that water-saving measures were undertaken during the year, such as the implementation of waterless urinals and dual flush toilets. The installation of sub-meters also contributed to accurate reporting of water consumption in 2007-08.[340]

Water consumption per EFT of Environment Protection Authority and Sustainability Victoria remained largely unchanged, at previous year's levels of 10 kilolitres and one kilolitre respectively.

337 Department of Infrastructure, *Annual Report 2006-07*, p.196
338 Department of Transport, *Annual Report 2007-08*, p.213
339 Department of Justice, *Annual Report 2007-08*, p.139
340 Department of Sustainability and Environment, *Annual Report 2007-08*, p.13

Table 12.7: Total Metered Water Consumption and Metered Water Used per EFT by Department and Environmental Agency

	Total Metered Water Consumption				Metered Water Used per EFT			
	2007-08	2006-07	Variation		2007-08	2006-07	Variation	
	(kilolitres)	(kilolitres)	(kilolitres)	(%)	(litres/day)	(litres/day)	(litres/day)	(%)
Department of Human Services	46,332	45,379(e)	953	2	49.3	49.3	0.0	0.0
Department of Innovation, Industry and Regional Development	2,404(a)	7,318(a)	-4,914(c)	-67(c)	43.8	30.1	13.7	45.5
Department of Education and Early Childhood Development	4,305(a)	7,098(a)	-2,793(d)	-39(d)	30.1	54.8	-24.7	-45.0
Department of Infrastructure/Transport	4,041	14,401	-10,360	-72	35.6	38.4	-2.8	-7.3
Department of Justice(e)	8,595	23,228	-14,633	-63	32.9	32.9	0.0	0.0
Department of Premier and Cabinet	Not disclosed	Not disclosed	N/A	N/A	Not disclosed	Not disclosed	N/A	N/A
Department of Primary Industries	106,120(b)	27,460(b)	78,660	286	43.8	41.1	2.7	6.6
Department of Sustainability and Environment	10,183	13,671	-3,488	-26	21.9	30.1	-8.2	-27.2
Department of Treasury and Finance	42,204(a)	54,194(a)	-11,990	-22	Not disclosed	Not disclosed	N/A	N/A
Department of Planning and Community Development	10,995	9,980	1,015(f)	10(f)	32.9	41.1	-8.2	-19.9
Total	**235,179**	**202,729**	**32,450**	**16**	**290.3**	**317.8**	**-27.5**	**-8.7**
Environment Protection Authority	5,890	8,310	-2,420	-29	30.1	27.4	2.7	9.8
Sustainability Victoria	128	116	12	10	2.7	2.7	0.0	0.0
Agency Total	**6,018**	**8,426**	**-2,408**	**-29**	**32.8**	**30.1**	**2.7**	**9.0**

Notes:

(a) Reported data excludes water used by offices located on the Treasury Reserve because departments reported that the water reticulation systems could not adequately allow billing data to be attributed to the departments.

(b) The Department of Primary Industries disclosed that water consumption in 2007-08 was reported based on actual domestic metered and billed water at 62.9 per cent of the departmental sites. These sites included meters at dedicated offices as well as locations for non-core activities, such as research. In 2006-07, water consumption was reported based on an extrapolation of data collected from water meters at a limited number of locations.

(c) The Department of Innovation, Industry and Regional Development disclosed that consumption data used for reporting in 2007-08 covered 80 per cent of total EFT and 26 per cent of all sites, whereas the 2006-07 data covered 92 per cent of total EFT and 36 per cent of all sites. In addition, the Department was subject to machinery of government changes in 2007-08.[341]

(d) The Department of Education and Early Childhood Development disclosed that the significant reduction in water consumption was attributable to an approximate 2,500 kilolitres of water leakage at the Loddon Mallee Regional Office in 2006-07.[342]

(e) Department of Justice 2007-08 figures cover 40 per cent of the Department's EFT and 37 per cent of the Department's locations. The 2006-07 figures cover 31 per cent and 1.5 per cent of locations.

(f) The Department of Planning and Community Development explained that the increase in water consumption was due to the addition of other groups from the Department of Sustainability and Environment, and the Department of Infrastructure as part of machinery of government changes.[343]

Sources: Departmental and Agency Annual Reports 2006-07 and 2007-08.

Excluding the Department of Education and Early Childhood Development, total energy usage by vehicle fleet decreased by 3 per cent, from 319,658 gigajoules in 2006-07 to 310,261 gigajoules in 2007-08. The Department of Education and Early Childhood Development did not include previous year's comparative data explaining that the 2006-07 data was unreliable.[344]

Five departments (the Department of Human Services, the Department of Innovation, Industry and Regional Development, the Department of Transport, the Department of Justice, and the Department of Sustainability and Environment) recorded a reduction in energy consumption totalling 40,898 gigajoules. This reduction is largely offset by the increased usage in the other four departments (the Department of Primary Industries, the Department of Premier and Cabinet, the Department of Treasury and Finance, and the Department of Planning and Community Development).

The Department of Primary Industries recorded a significantly higher energy consumption of 72,770 gigajoules in 2007-08, compared to 45,113 gigajoules in previous year. The Department explained that the two years' consumption data are not comparable as the 2007-08 data related to the energy consumption of the Department's fleet vehicles, whereas the 2006-07 data related to passenger vehicles. Passenger vehicles represent only a subset of the Department's total fleet.

Similarly, the Department of Treasury and Finance disclosed that a new reporting methodology was used in 2007-08 to provide more accurate data.[345] As a result, the Department's energy usage for fleet vehicles registered a rise of 28 per cent from 207 gigajoules to 264 gigajoules. However, the Department did not provide any information in its annual report about the nature of the new methodology or the impact it had on the data.

341 Department of Innovation, Industry and Regional Development, *Annual Report 2007-08*, p.132
342 Department of Education and Early Childhood Development, *Annual Report 2007-08*, p.162
343 Department of Planning and Community Development, *Annual Report 2007-08*, p.148
344 Department of Education and Early Childhood Development, *Annual Report 2007-08*, p.162
345 Department of Treasury and Finance, *Annual Report 2007-08*, p.102

The Department of Planning and Community Development is another department which reported a considerable increase in energy consumption in 2007-08, rising by 20 per cent from 7,307 gigajoules to 8,794 gigajoules. The Department explained that its performance was impacted by the machinery of government changes. In August 2007, the former Department of Victorian Communities and the planning functions of the Department of Sustainability and Environment were combined to form the Department of Planning and Community Development.

FRD 24C introduced a new requirement in 2007-08 – disclosure of energy consumption by vehicle fleet segmented by vehicle type. Three departments (the Department of Premier and Cabinet, the Department of Treasury and Finance, and the Department of Sustainability and Environment) did not disclose the required segment data. The Department of Primary Industries disclosed energy consumption by vehicle type (e.g. two wheel drive, four wheel drive, passenger vehicles, high environmental performance vehicles), whereas all other departments disclosed energy consumption by fuel type (e.g. petrol, diesel, LPG). The Committee has recommended that the guidelines associated with FRD 24C be updated to incorporate more detailed and specific instruction to ensure consistent responses from all departments (refer Section 12.4).

As summarised, the two-year trend in energy consumption is skewed due to changes in bases of measurement and presentation. The Committee noted that travel associated with entity operations rose by 11 percent, from 82.6 million kilometres in 2006-07 to 92 million kilometres in 2007-08. This equates to approximately 3,150 kilometres travelled for every department EFT in 2007-08. As in previous year, the Department of Human Services and the Department of Primary Industries registered the highest mileage. The Department of Human Services recorded 38 million kilometres, representing 41 per cent of total distance across the 10 departments.

The Department of Primary Industries recorded 21 million kilometres, representing 23 per cent of total mileage registered by the 10 departments and an increase of 55 per cent from the previous year. This higher mileage also corresponds to the 61 per cent increase in energy consumption over the two periods. However, the Department of Primary Industries reported that total distance travelled by its passenger vehicles[346] fell by 5.6 per cent from 13.5 million kilometres in 2006-07 to 12.7 million kilometres in 2007-08. In addition, the Department set a target to reduce this further by 10 per cent in 2008-09.[347]

The Committee noted that travel associated with the two environmental entities' operations reduced by 15 percent, from 1.9 million kilometres in 2006-07 to 1.7 million kilometres in 2007-08.

Of the six departments which provided segment data, 67 per cent of the departments' energy requirement was met by petrol fuel. LPG constituted 26 per cent of total fuel consumption, while diesel and E10 made up the balance. LPG is less efficient than petrol per distance travelled but more efficient in green house emissions.

Another new requirement of FRD 24C is the disclosure of total distance travelled by air. The 10 departments registered a total distance travelled of 21 million kilometres. The Department of Justice recorded the highest mileage at 4.6 million kilometres, representing 22 per cent of the 10 departments' combined total. The Department explained that departmental fleet and air travel data include a number of statutory entities.[348] The Committee will include in future reports the departments' performance trends.

Except for two departments (the Department of Planning and Community Development, and the Department of Premier and Cabinet), more than 80 per cent of employees at CBD offices regularly (more than 75 per cent of work attendance days) used alternative modes of transport. This represents a general improvement in 2007-08 across departments. The Department of Sustainability and Environment is the only department reporting a reduction, from 86 per cent to 84 per cent. On the other hand, more staff at the Department of Human Services at its CBD locations used alternative modes of transport. In 2007-08, 93 per cent of the Department of Human Services staff regularly used public transport, cycling, walking, or car pooling to and from work, or working from home.

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346 The Department of Primary Industries classifies four-door general passenger vehicles, such as Holden Commodores, Ford Falcon sedans and Toyota Camry's, as passenger vehicles.

347 Department of Primary Industries, *Annual Report 2007-08*, p.65

348 Department of Justice, *Annual Report 2007-08*, p.141

Table 12.8: Total Energy Consumption by Department Vehicle Fleet and Total Vehicle Travel Associated with Entity Operations by Department and Environmental Agencies

	Total Energy Consumption by Department Vehicle Fleet				Total Vehicle Travel Associated with Entity Operations			
	2007-08	2006-07	Variation		2007-08	2006-07	Variation	
	(gigajoules)	(gigajoules)	(gigajoules)	(%)	(kilometres)	(kilometres)	(kilometres)	(%)
Department of Human Services	145,542	153,728(a)	-8,186	-5	38,095,918	38,656,869(a)	-560,951	-1
Department of Innovation, Industry and Regional Development	4,397	7,890	-3,493	-44	1,338,838	2,232,152	-893,314	-40
Department of Education and Early Childhood Development	23,507	Not disclosed	N/A	N/A	7,030,951	Not disclosed	N/A	N/A
Department of Infrastructure/Transport	9,135	10,261(b)	-1,126	-11	2,438,663	2,676,774	-238,111	-9
Department of Justice	52,006	75,624	-23,618	-31	14,021,165	17,429,514	-3,408,349	-20
Department of Premier and Cabinet	175	137	38	28	56,059	44,992	11,067	25
Department of Primary Industries	72,770	45,113	27,657	61	20,979,156	13,494,062	7,485,094	55
Department of Sustainability and Environment	17,179	19,391	-2,212	-11	5,317,696	6,096,384	-778,688	-13
Department of Treasury and Finance	264	207	57	28	80,574	72,615	7,959	11
Department of Planning and Community Development	8,794	7,307	1,487	20	2,619,328	1,904,559	714,769	38
Total	310,261(d)	319,658	-9,397	-3	91,978,348	82,607,921	9,370,427	11
Environment Protection Authority	(c)	(c)	(c)	(c)	1,551,229	1,761,253	-210,024	-12
Sustainability Victoria	191	320	-129	-40	111,117	187,315	-76,198	-41

Notes: *(a) The comparative data for 2006-07 has been amended to reflect the effect of machinery of government changes.*

(b) The comparative data for 2006-07 has been amended to correct a calculation error in prior year.

(c) Environment Protection Authority disclosed energy consumption in litres of fuel used.

(d) Total excludes consumption data of Department of Education and Early Childhood Development.

Sources: *Departmental and Agency Annual Reports 2006-07 and 2007-08.*

Table 12.9: Percentage of Employees in CBD Regularly (>75% of Work Attendance Days) Using Public Transport, Cycling, Walking, or Car Pooling to and from Work, or Working from Home by Department & Agency

Department/Agency	Percentage of Employees in CBD Regularly using Alternate Modes of Transport		
	2007-08	2006-07	
	(%)	(%)	(%)
Department of Human Services	93	78 (a)	19
Department of Innovation, Industry and Regional Development	80	74	9
Department of Education and Early Childhood Development	89	78	14
Department of Infrastructure/Transport	88	77	14
Department of Justice	88	75	17
Department of Premier and Cabinet	79	67	18
Department of Primary Industries	82	36	>100
Department of Sustainability and Environment	84	86 (b)	-2
Department of Treasury and Finance	80	75	7
Department of Planning and Community Development	77	75	3
Environment Protection Authority	65	58	11
Sustainability Victoria	87	90	-4

Notes: *(a) The comparative data for 2006-07 have been amended to reflect the effect of machinery of government changes.*

(b) The comparative data for 2006-07 have been amended to follow FRD 24C disclosure requirements.

Sources: *Departmental and Agency Annual Reports 2006-07 and 2007-08.*

12.2.5 Greenhouse Gas Emissions

Greenhouse gas emissions by government departments are measured in relation to energy use and the vehicle fleet. In total, 95,300 tonnes of CO_2 equivalent were produced by the 10 government departments in 2007-08. This is an increase of 2,885 tonnes over the 2006-07 figure of 92,415.

Total greenhouse gas emissions associated with energy use across all the departments fell marginally by 1.6 per cent in 2007-08, from 72,421 tonnes to 71,279 tonnes of CO_2 equivalent. Consistent with the departments' energy consumption profiles, the Department of Primary Industries and the Department of Human Services generated the biggest volumes of greenhouse gas.

The Department of Primary Industries recorded 22,045 tonnes, representing 31 per cent of total emissions across the 10 departments. However, the Department of Primary Industries was successful in bringing the previous year's emissions level down by 13 per cent. The Department of Human Services recorded 19,625 tonnes, representing 28 per cent of total emissions registered by the 10 departments. However, their 2007-08 emissions level was 3 per cent lower than in 2006-07.[349]

[349] Department of Justice, *Annual Report 2007-08*, p.138

The Committee noted that the Department of Justice more than doubled its greenhouse gas emissions associated with energy use in 2007-08. The Department generated 7,394 tonnes of CO_2 equivalent, an increase of 104 per cent from previous year. However, the Department explained that in 2007-08 energy consumption data covered 37 per cent of total locations, whereas only 1.5 per cent was covered in 2006-07.

The Department of Justice has set a target to reduce energy consumption by 15 per cent and increase *Green Power* purchase by 15 per cent in 2008-09. While the Committee commends the Department's aims in increasing data coverage, care will be required to ensure consistency of data to determine the measurability and achievement of this target. It will also need to report data from all locations in 2008-09.

The Department of Planning and Community Development also reported a considerable increase in greenhouse gas emissions, rising by 41 per cent from 1,263 tonnes to 1,780 tonnes. The Department explained that this was impacted by the machinery of government changes. The Department has set a target to reduce energy consumption by 5 per cent and increase *Green Power* purchase by 25 per cent in 2009-10.

Total greenhouse gas emissions associated with the government vehicle fleet increased by 20 per cent in 2007-08, from 19,994 tonnes to 24,021 tonnes of CO_2 equivalent.

In 2007-08, the Department of Human Services' and the Department of Primary Industries' vehicle fleets together recorded 59 million kilometres of operation related travel, generating 15,678 tonnes of CO_2 equivalent as a result. This represents 65 per cent of total emissions associated with vehicle fleets across the 10 departments. Compared to the previous year, the Department of Human Services' CO_2 equivalent emission was lower by 5 per cent. The lower emission level was consistent with the reduction in the Department's operation related travel from 38.7 million kilometres 2006-07 to 38.1 million kilometres in 2007-08 (refer Table 12.8). The Department of Primary Industries did not provide the CO_2 equivalent emission data for 2006-07. However, the Department reported a significant increase in operational travel, from 13.5 million kilometres to 21.0 million kilometres (refer Table 12.8).

FRD 24C introduced a new measure in 2007-08 - total greenhouse gas emissions associated with air travel. The 10 departments reported total emissions of 5,861 tonnes of CO_2 equivalent. The Department of Primary Industries recorded the highest volume of greenhouse gas at 1,096 tonnes, representing 19 per cent of the 10 departments' combined total. However, this is not consistent with air travel data disclosed by other departments. The Department of Justice recorded a higher mileage of 4.6 million kilometres, double that of the Department of Primary Industries, however, it's reported emissions for the year were 50 per cent lower than that of the latter. Further guidance is required to ensure that sufficient information is provided by departments in their annual reports to allow meaningful comparisons to be made. The Committee has made a recommendation to this effect.

Another new requirement of FRD 24C is the disclosure of greenhouse gas emission offset purchased. The Committee noted that:

- three departments (the Department of Education and Early Childhood Development, the Department of Transport and the Department of Primary Industries) disclosed specific amounts of offset purchased;
- two departments (the Department of Premier and Cabinet, and the Department of Treasury and Finance) made a general disclosure that the Department of Sustainability and Environment contracts the supply of offsets for government vehicle fleets;
- three departments (the Department of Human Services, the Department of Planning and Community Development, and the Department of Innovation, Industry and Regional Development) disclosed that data was unavailable; and
- two departments (the Department of Sustainability and Environment, and the Department of Justice) did not make any disclosure. If no offsets were purchased, this should be disclosed by departments.

Environment Protection Authority's greenhouse gas emissions associated with energy use reduced by 5 per cent in 2007-08. As in 2006-07, Sustainability Victoria did not report any greenhouse gas emission. Sustainability Victoria continued to meet all its energy needs with *Green Power* in 2007-08.

In addition, the two environmental agencies' greenhouse gas emissions associated with vehicle fleets fell by 19 per cent in 2007-08, from 454 tonnes to 369 tonnes of CO_2 equivalent. This is consistent with the 15 per cent fall in operation related travels in 2007-08.

Table 12.10:Total Greenhouse Gas Emissions Associated with Energy Use and Total Greenhouse Gas Emissions Associated with Vehicle Fleet by Department and Environmental Agency

	Total Greenhouse Gas Emissions - Energy Use				Total Greenhouse Gas Emissions - Vehicle Fleet			
	2007-08	2006-07	Variation		2007-08	2006-07	Variation	
	(Tonnes CO_2 Equivalent)	(Tonnes CO_2 Equivalent)	(Tonnes CO_2 Equivalent)	(%)	(Tonnes CO_2 Equivalent)	(Tonnes CO_2 Equivalent)	(Tonnes CO_2 Equivalent)	(%)
Department of Human Services	19,625	20,210(a)	-585	-2.9	10,375	10,962(a)	-587	-5
Department of Innovation, Industry and Regional Development	2,326	2,204	122	5.5	312	592	-280	-47
Department of Education and Early Childhood Development	2,901	2,798(b)	103	3.7	1,612	(c)	N/A	N/A
Department of Infrastructure/Transport	3,041	2,577(d)	464	18.0	652	741	-89	-12
Department of Justice (e)	7,394	3,629	3,765	103.7	3,866	5,665	-1,799	-32
Department of Premier and Cabinet	1,282	1,468	-186	-12.7	13	11	2	18
Department of Primary Industries	22,045	25,349	-3,304	-13.0	5,303	(c)	N/A	N/A
Department of Sustainability and Environment	9,284	11,276	-1,992	-17.7	1,228	1,453	-225	-15
Department of Treasury and Finance	1,601	1,647(a)	-46	-2.8	19	16	3	19
Department of Planning and Community Development	1,780	1,263	517	40.9	641	554	87	16
Total	71,279	72,421	-1,142	-1.6	24,021	19,994	4,027	20
Environment Protection Authority	31	36	-5	-13.9	355	429	-74	-17
Sustainability Victoria	0	0	0		14	25	-11	-44

Notes: *(a) The comparative data for 2006-07 has been amended to reflect the effect of machinery of government changes.*

(b) The comparative data for 2006-07 has been amended to include both central and regional offices.

(c) Comparative data for this new FRD 24C disclosure requirement was not provided.

(d) The comparative data for 2006-07 have been amended to follow FRD 24C disclosure requirements.

(e) Greenhouse gas emissions were calculated using the National Greenhouse Accounts Factors and factors provided by the Environment Protection Authority, Victoria. As such, the coverage obtained (89 per cent of the Department's locations and 95 per cent of the Department's EFT) may differ from other results detailed in this chapter.

Sources: *Departmental and Agency Annual Reports 2006-07 and 2007-08.*

12.2.6 Procurement

FRD 24C requires the disclosure of whether and how procurement activities:

- are environmentally responsible; and
- support the objectives of the government's environmental procurement policy.

The disclosure should includes

- how environmental considerations have been incorporated into procurement decision making;
- a list of tenders, contracts, or products incorporating sustainability clauses or specifications; and
- progress in achieving any procurement related targets.

The Committee noted that each of the departments and environmental agencies disclosed how environmental considerations were incorporated into procurement processes. Four departments (the Department of Human Services, the Department of Education and Early Childhood Development, the Department of Treasury and Finance, and the Department of Primary Industries) gave examples of contracts with sustainability specifications.

Four departments (the Department of Innovation, Industry and Regional Development, the Department of Education and Early Childhood Development, the Department of Planning and Community Development, and the Department of Primary Industries) reported progress in achieving procurement related targets.

The Committee looks forward to the implementation of consistent disclosure guidelines by the Department of Treasury and Finance in relation to procurement activities.

12.3 Costs/Savings Associated with Environmental Initiatives

The Committee asked departments to quantify the financial costs/savings associated with meeting each of the requirements set out in FRD 24C. In addition, departments were asked to outline the measures undertaken to minimise the impact on the environment of the preparation and publication of their 2007-08 annual reports and other key publications.

12.3.1 Financial Costs/Savings

In the *Report on the 2006-07 Financial and Performance Outcomes*, the Committee noted that departments had largely failed to adopt a consistent form of monitoring of financial savings or costs associated with their efforts to make environmental savings.[350]

[350] Public Accounts and Estimates Committee, *Report on the 2006-07 Financial and Performance Outcomes*, May 2008, p.426.

Responding to the Committee's recommendation to review and develop FRD 24B to include set criteria and guidance to assist departments to report the costs and savings associated with their office-based environmental activities, the Government stated that:[351]

> *FRD24B was updated in April 2008 to FRD24C. The development of FRD24 and guidance materials was undertaken by the Department of Sustainability and Environment in consultation with the Commissioner for Environmental Sustainability, the Department of Treasury and Finance and other departments and agencies implementing an office-based EMS…*
>
> *…Departments will continue to report environmental savings, but not monetary costs and savings. The only cost required to be reported is the total cost of Green Power purchased.*

The Committee maintains that there is value in measuring the financial impact of office-based environmental activities and is disappointed that, for the second year running and despite its recommendations to the contrary, that there has been no notable improvement in the quality or quantity of data provided to the Committee. Given the lack of development on this matter in the recent review of FRD 24, the Committee will continue to seek this information from departments and expects that more accurate, detailed and consistent information will be made available to the Committee in future years.

Recommendation 28: **The Department of Treasury and Finance and the Department of Sustainability and Environment, collaborate to develop guidelines to enable departments to report the costs and savings associated with their office-based environmental activities.**

Due to the variations in data collection practices, the cost/savings data provided by departments has not been reported in this report, however, the following points were able to be drawn from the information provided:

- six departments (the Department of Human Services, the Department of Innovation, Industry and Regional Development, the Department of Transport, the Department of Primary Industries, the Department of Sustainability and Environment, and the Department of Planning and Community Development) provided both actual and estimated financial costs/savings associated with energy use, paper use, water consumption and transportation;
- with the exception of the Department of Planning and Community Development,[352] none of the departments reported financial costs/savings associated with waste production, greenhouse gas emissions and procurement;
- the Department of Innovation, Industry and Regional Development reported additional transportation costs of $79,743 in 2007-08. The Department explained that the increase was due largely to higher petrol and LPG costs;[353]
- the Department of Primary Industries reported that cost savings achieved from lower energy and transportation use were more than off set by higher energy and fuel costs, resulting in overall increases in energy cost of $304,000 and transportation cost of $8,400; and [354]

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351 Victorian Government, Government's Response to the PAEC Report No. 79, 2006-07 Financial and Performance Outcomes, November 2008, p.36

352 The Department of Planning and Community Development estimated cost savings based on a 24 per cent decrease in costs associated with purchasing remanufactured toners and inks compared to OEM pricing

353 Department of Innovation, Industry and Regional Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.14

354 Department of Primary Industries, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.7

- the Department of Human Services and the Department of Sustainability and Environment reported savings in transportation costs totalling $662,000 and $83,426 respectively. The Department of Human Services explained that it increased the use of low emission vehicles by 43 per cent in 2007-08.[355] The Department Sustainability and Environment attributed the cost reduction to lower fuel consumption by the Department's vehicle fleet.[356]

12.3.2 Environmental Impact of Publications

The Committee found that all the departments have taken steps to minimise the environmental impact of publishing annual reports and other key publications. These steps primarily involved the following initiatives:

- hard copy printing is minimised. Users are directed to departments' web sites to obtain information; and
- where distribution of publications solely via the internet is not feasible, publications are printed on environmentally sustainable papers or stored on compact discs for distribution.

12.4 Issues in Reporting of Office-based Environmental Data by Government Entities

FRD 24C sets the minimum requirements for all government departments and environmental agencies to report on office-based environmental impacts. The reported information is useful to gaining a better understanding and reducing the entities' office-based environmental impacts.

The Committee observed the following deficiencies in the entities' reporting in accordance with FRD 24C:

- FRD 24C replaced FRD 24B and was effective from 1 July 2007. FRD 24C introduces several new measures which require disclosure of more detailed information. For instance, energy use should be disclosed by primary source. Only five departments disclosed the required segment information for energy use, waste production and transportation;
- FRD 24C requires the disclosure of at least one future target per indicator. The Department of Premier and Cabinet, the Department of Treasury and Finance, and Sustainability Victoria did not disclose future performance targets;
- FRD 24C requires the disclosure of performance trends for each indicator. The Department of Justice and the Department of Innovation, Industry and Regional Development did not provide previous year's comparative data;
- the requirements in FRD 24C were interpreted differently. For instance, FRD 24C requires energy consumption by vehicle fleet to be disclosed by vehicle type. The Department of Primary Industries disclosed energy consumption by vehicle type (e.g. two wheel drive, four wheel drive, passenger vehicles, high environmental performance vehicles), whereas all other departments disclosed energy consumption by fuel type (e.g. petrol, diesel, LPG). As at 6 March 2009, the FRD guidance on the websites of the Department of Treasury and Finance and the Environment Protection Authority still reflect FRD 24B despite the change to FRD 24C on 1 July 2008; and
- significantly different measurement bases were used. For instance, office-based energy data reported by the Department of Justice in 2007-08 covered 43 per cent of EFT staff and 30 per cent of all the Department locations, whereas the previous year's data covered only 31 per cent of EFT staff and 1.5 per cent of Department locations.

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355 Department of Human Services, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.31

356 Department of Sustainability and Environment, response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, received 9 February 2009, p.10

These reporting deficiencies render it difficult to compare the entities' performance between reporting periods. This view is shared by the Commissioner for Environmental Sustainability following his audit of Victorian Government agencies' environmental management systems. The Commissioner also identified the following improvement opportunities:

- making reporting on greenhouse gas emissions and water mandatory across all functions of Government;
- incorporating the Global Reporting Initiative (GRI) framework in Government's reporting directive to disclose issues materially significant to departments' and agencies' operations and to their stakeholders, including greenhouse gas emissions and water; and
- developing a risk-based regime of regular verification to conduct verification via Government's current audit function or a third party.[357]

Recommendation 29: **Future Annual Reports of Operations disclose all the mandatory information in accordance with FRD 24C, including segment data, future targets and performance trends.**

Recommendation 30: **The Department of Treasury and Finance and the Environment Protection Authority revise the FRD guidance and provide clearer directions to implementation of FRD 24C.**

Recommendation 31: **The Department of Treasury and Finance and the Environment Protection Authority incorporate the Commissioner for Environmental Sustainability's recommendations in revising FRD 24C and related guidance.**

Recommendation 32: **Where there is a change in previous year's reporting method, previous year's comparative data be amended and presented in accordance with current year's reporting method.**

[357] Commissioner for Environmental Sustainability Victoria, Strategic Audit: Environmental Performance Reporting Supplementary Report 2007-08, January 2009, p.20

CHAPTER 13: REGIONAL AND RURAL OUTCOMES

Key Findings of the Committee:

13.1 **The profile of doctors in regional and rural Victoria shows that:**

- **there is one general practitioner (GP) per 1,161 people in rural Victoria;**
- **the rural GP workforce is ageing – the average age is close to 50 years; and**
- **approximately one-third of GPs want to reduce their hours or retire within the next five years.**

13.2 **In early March 2008, there were around 120 vacancies for GPs in regional and rural Victoria, with priority vacancies occurring in Casterton, Cohuna, Kerang, Warrnambool, Ouyen, Mildura, Robinvale, Shepparton, Timboon and Geelong.**

13.3 **From a strategic point of view, the Rural Workforce Agency Victoria has predicted that by 2012, an additional 700 doctors will be needed in rural areas.**

13.4 **A wide range of strategies are in place to promote the wellbeing of young people in rural settings in terms of gaining access to dental, sexual health and mental health services. The Committee has recommended that a formal evaluation should be commissioned after a sufficient lead time had elapsed to assess whether the intended objectives of these strategies have been realised in a coordinated manner.**

13.5 **In November 2005, the Department of Innovation, Industry and Regional Development launched a new plan to develop, grow and strengthen Regional Victoria, *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest.* The Committee believes that further work is required by the Department and Regional Development Victoria to present financial information associated with *Moving Forward* in a concise and consistent manner.**

13.6 **As of June 2008, the Department of Education and Early Childhood Development employed 2,091 full time equivalent non teaching staff in its central and regional offices throughout Victoria. Of these staff, 17.9 per cent (374.8 EFT) were employed in regional Victoria.**

13.7 **Five departments have been involved in delivering the Government's $400 million drought relief package and a significant number of the programs and initiatives outlined are either complete or nearing completion. Given this, the Committee believes that it would be prudent for the Government to coordinate a progress update and project evaluation covering the major drought projects contained within its $400 million drought relief package.**

13.8 **During 2007-08, the Government contributed $8 million to the Natural Disasters Relief Trust Account and spent $6.3 million, primarily supporting those affected by the Gippsland Floods.**

13.9 **The 2006-07 Budget allocated $8.2 million to the Department of Infrastructure (Transport) to undertake a program to fit door safety mechanisms to 85 N,S and Z class locomotive-hauled V/Line carriages which did not have central locking systems, of which 68 carriages (81.9 per cent) have been completed.**

13.1 Rural health workforce – resourcing strategies

In examining the profile of doctors in regional and rural Victoria, the Committee found that:

- there is one general practitioner (GP) per 1,161 people in rural Victoria;
- 1,220 GPs were operating in rural Victoria of which 140 (11.5 per cent) were registrars;
- the rural GP workforce is ageing – the average age of rural GPs is close to 50 years;
- older GPs are mostly male; and
- approximately one-third of GPs want to reduce their hours or retire within the next five years.

The Committee also noted that there were around 120 vacancies in early March 2008, with priority vacancies occurring in Casterton, Cohuna, Kerang, Warrnambool, Ouyen, Mildura, Robinvale, Shepparton, Timboon and Geelong. From a strategic point of view, the Rural Workforce Agency, Victoria has predicted that by 2012, Victoria will need 700 additional doctors working in rural areas.[358]

Related to this, a major outcome identified in the Department of Human Services *Annual Plan 2007-08*, was to develop a skilled and highly performing workforce across Victoria. To achieve this outcome, the Department identified a need to strengthen the rural workforce and in doing so set three targets for delivery by June 2008:[359]

- 15 posts for advanced medical specialist trainees in rural settings;
- 15 posts to train GPs in advanced procedural skills; and
- a plan for recruitment of international health care professionals.

The Department of Human Services advised the Committee that in relation to these targets:

- fifty posts for advanced medical specialist trainees in rural settings were funded in 2008. These 50 posts covered 22 specialties.
- funding for 15 advanced procedural skills training posts for GPs in rural settings was made available in 2008. In June 2008, 12 of these 15 posts were filled (Obstetrics, Anaesthetics and Paediatrics) and 3 posts were not filled as candidates withdrew from the training program at short notice and the vacancies could not be filled. The uptake of these posts has increased for 2009, with 15 posts filled for 2009.
- in 2006, the state government announced a recruitment campaign to attract international medical graduates into the Victorian health system. In 2007-08, achievements for key components of the campaign were:
  - incentive Packages initiated to support overseas recruitment - 71 new doctors and 13 allied health practitioners have successfully been brought into the Victorian system in the first year of operation (67 doctors (94.4 per cent) and 11 allied health practitioners (84.6 per cent) were recruited to rural locations);
  - free advertising was secured in the British Medical Journal for Victorian health services to advertise medical vacancies;
  - a research project looking at the barriers to recruitment of international medical graduates to Victoria has been completed. Responses to the recommendations are being considered; the report will then be released; and
  - the Department has placed an officer in the London Victorian Government business office to facilitate recruitment of medical staff to Victoria. Through the departmental officer, Victoria has a presence at a number of the expos in the United Kingdom such as the British Medical Journal Careers Fair. The officer is also liaising with hospitals in the United Kingdom and

358 Rural Workforce Agency, Victoria, *Victorian Rural General Practice Workforce Planning for 2002-12 Summary Report, p.4*

359 Department of Human Services, *Departmental Plan 2007-08*, p.25

relevant bodies to promote Victoria as a great place to work. The introduction of the Register your interest to work in Victoria website in May 2008 has seen over 250 doctors register their interest to work in the Victorian health system. Names of suitable applicants are forwarded to health services for follow up.

The Committee is of the view that a progress report should be prepared at 30 June 2009 of where Victoria stands in terms of:

- filling all vacancies for doctors in regional and rural areas of Victoria as at that date; and
- projections over the forthcoming three year period to 30 June 2012.

Such a report would be invaluable in terms of developing long-term resourcing and funding strategies if required, pinpointing areas of greatest need, so that Victoria's rural health workforce will have adequate capacity to meet the health needs of rural Victoria into future.

Recommendation 33: **To address the possibility of critical shortages of general practitioners in regional and rural Victoria, the Department of Human Services prepare a progress report and long-term plan which covers the recruitment of an adequate number of doctors to meet the health requirements of rural Victorians into the future.**

13.2 Wellbeing of young people in rural settings – access to dental, sexual health and mental health services

According to report prepared by the Department of Education and Early Childhood Development and the Department of Planning and Community Development titled, *The state of Victoria's young people: A report on how Victorian young people aged 12-24 are faring*, young people in rural areas:[360]

- visited a dentist in the past 12 months at much the same rate as City youth; and
- report a range of barriers to their access to sexual health and mental health services (fears of stigma and a lack of anonymity were important contributory factors to this).

The Committee was interested in examining the strategies adopted by the Department of Human Services in these three key areas and the progress made towards improving healthcare accessibility for young people in rural areas.

13.2.1 Dental Health Care

The Department advised the Committee that the research which informed the reference to dental visits in *The state of Victoria's young people: A report on how Victorian young people aged 12-24 are faring*, also indicated that the percentage of people aged 15-34 visiting dentists within the last 12 months is 59.6 per cent for the capital city and 60.4 per cent for other places, showing no significant difference between location and dental visits.[361]

The Department explained that since 1999, the Victorian Government has invested $950 million into initiatives for increasing access for children to dental care in both metropolitan and regional Victoria.

During 2007-08, the Department also initiated an extensive program to integrate school and community dental services, enabling families to present together at the one community dental site, which was completed in October 2008.

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360 Department of Education and Early Childhood Development and the Department of Planning and Community Development, *The state of Victoria's young people; A report on how Victorian young people aged 12-24 are faring,* 27 August 2007.

361 Slade, G, Spencer, A & Roberts-Thomson, K, *Australia's dental generations: the National Survey of Adult Oral Health 2004–2006 AIHW cat.no. DEN 165, Canberra, Australian Institute of Health and Welfare (Dental Statistics and Research Series No. 34)*, 2007.

As discussed in the *Report on the 2006-07 Financial and Performance Outcomes*,[362] the Department has attempted to address the shortage of dentists and dental therapists in rural areas by through several programs:[363]

- the establishment of the Bachelor of Oral Health Science at La Trobe University Bendigo. The Bachelor/Master of Dentistry commenced in 2008 at La Trobe University with an intake of 60 students, who are expected to graduate in 2012. The new course paves the way for an increase of dentists trained in rural Victoria.
- The establishment of a pre-clinical teaching laboratory at La Trobe University Bendigo and provision of capital for satellite clinics at Wodonga (10 chairs), Mildura (eight chairs) and Melton (12 chairs) to accommodate clinical teaching needs for an expanded Dental School at La Trobe Bendigo.

13.2.2 Sexual Health Care

The Department of Human Services provides funding to approximately 100 Community Health Services (CHSs) across Victoria many of which, including in those located in rural areas, have developed proactive targeted programs providing 'youth friendly' counselling and health services. In recognition of the higher prevalence of mental health problems in the under 25 year old age group and as an early intervention / prevention response, young people and their families form one of three focus areas for counselling in CHSs. In addition, five rural CHSs (Shepparton, Ballarat, Portland, Geelong and Mildura) received funding under the State / Commonwealth Innovative Health Services for Homeless Youth (IHSY) Program. IHSY facilitates access to health care for homeless and otherwise at risk young people.[364]

Sexual health is a priority for the Department of Human Services where it featured prominently under two primary objectives in the Department's *2007-08 Annual Plan:*

- Outcome: More people living healthy lifestyles. Develop new health promotion framework and plans for physical activity and active communities, accessible and nutritious food, reducing tobacco-related harm, and sexual and reproductive health; and
- Outcome: Reduced burden of disease. Implement a range of health promotion activities to address the rising rates of HIV and sexually transmissible infections.

In 2005, a collaboration between Family Planning Victoria, the Royal Women's Hospital and the Centre for Adolescent Health launched the report titled *The Sexual and Reproductive Health of Young Victorians* (SRHYV). This report identified issues with access and confidentiality for young people seeking sexual health services.[365]

362 Public Accounts and Estimates Committee, *Report on the 2006-07 Financial and Performance Outcomes*, May 2008, pp.457-459.

363 Department of Human Services, *Response to the Public Accounts and Estimates Committee Financial and Performance Outcomes Questionnaire Part Two*, January 2009.

364 ibid.

365 ibid.

Following this, in 2006, the Department of Human Services published the report titled *Victorian Sexually Transmissible Infections Strategy 2006–2009.* This report recognised that increasing levels of sexually transmissible infections in Victoria is of significant public health concern and provided a framework for a coordinated and sustained response to reducing the incidence and impact of STIs throughout Victoria. Together these documents provided a framework for the Government to improve the sexual health of young Victorians, including those who reside in rural areas. These initiatives included:[366]

- Sexuality Education in Victorian Schools – a partnership project between the Department of Human Services and the Department of Education and Early Childhood Development. This joint project has made significant advances in the delivery of sexuality education within Victorian primary and secondary schools. The major emphasis has been on ensuring sexuality education is ongoing in schools and integrated across all year levels and that schools build links with local health providers which reduces barriers to access for young people;
- Health Promotion Funding Initiative: 10 projects that focused on the prevention on sexually transmissible infections in young Victorians. Activities funded under this initiative included training for a range of service providers on the delivery of sexual health services to young people, including a range of marginalised youth. Access issues were also addressed with agencies addressing issues of condom distribution and appropriate referral pathways and collaboration between primary care services in order to improve service delivery; and
- Awareness campaigns: The Department has supported a range of safe sex and chlamydia activities around Victoria. In addition, the Department delivered a chlamydia awareness campaign across Victoria in 2007 which was targeted at young people.

13.2.3 Mental Health Care

In February 2007, the Deparmtent of Human Services released a report titled *Families where a parent has a mental illness a service development strategy*. The report details a strategy aimed at assisting services to develop more coordinated and effective approaches to address the heightened risk burden of families on the basis that:[367]

> *Families in which a parent has a serious or recurring mental illness are more likely to experience poverty, housing problems, family disruption and disorganisation, marital conflict, a reduction of social and leisure activities, disruption of children's schooling and isolation as a result of the parental illness*

During 2007-08, young people in some rural areas (Goulburn Valley, Bendigo and Barwon) received assistance from FaPMI co-ordinators (Families where a parent has a mental illness) and a second round of national headspace funding saw the establishment of these integrated youth mental health services for young people aged 12-25 in rural Victoria in Geelong, South Western Victoria, Central Gippsland and the Mornington Peninsula.[368]

The *Report on the 2006-07 Financial and Performance Outcomes* identified a number of projects initiated by the Department of Human Services to support families through the drought and to tackle mental health issues facing rural communities.[369]

The Department of Human Services advised the Committee that under the 'Tackling Mental Health' 2006-07 initiative, rural community health and family services counselling services were expanded. This initiative has been continued in response to sustained drought under the following initiatives: 'Sustaining Community Wellbeing' (2007-08) and 'Drought Relief – Mental Health Services'

366 ibid.

367 Deparmtent of Human Services, *Families where a parent has a mental illness A service development strategy, February 2009, p.1*

368 Department of Human Services, *Response to the Public Accounts and Estimates Committee Financial and Performance Outcomes Questionnaire Part Two*, January 2009.

369 Public Accounts and Estimates Committee, *Report on the 2006-07 Financial and Performance Outcomes*, May 2008, p.252.

(2008-09). These initiatives focus on protecting and promoting the social-emotional health and wellbeing of rural people who are impacted by drought.[370]

Mental health services were also strengthened in rural populations through the following programs:[371]

- 'Mental Health Drought Recovery - Mental Health Early Intervention' initiative. This initiative funded a clinician in each rural Area Mental Health Service to specifically provide secondary consultation to drought counsellors and other front-line drought workers. This initiative was superseded by the Future Farming Strategy, which became the whole of Victorian Government response to drought and climate change;
- Mental Health First Aid (MHFA) developed by Orygen at Melbourne University. Aimed at building the mental health literacy and service knowledge of non-mental health professionals across communities, MHFA was provided in all rural areas between 2006 and 2008. Up to 1,200 people are now trained in MHFA across Victoria; and
- other support networks. Looking Out For Your Neighbour was established through a partnership with the Victorian Farmers Federation. Initiatives such as this indirectly support young peoples' mental health by helping to strengthen family and community structures.

On 13 March 2009 the Government released *Because Mental Health Matters – Victorian mental health reform strategy 2009-19*. The strategy outlines a series of eight reforms based on the core elements of prevention, early intervention (in life, illness and episode) recovery and social inclusion.[372]

Reform area two – Early In Life outlines four goals to help children, adolescents, young people (0–25) and their families, these are:

- strengthen early identification and intervention through universal services, including early childhood services, primary health care and educational settings;
- provide earlier and age-appropriate treatment and care for children, adolescents and young adults with emerging or existing mental health problems and their families;
- deliver targeted mental health support for particular groups of highly vulnerable young people; and
- build stronger, more resilient families where there is risk related to mental health and drug and alcohol problems.

Given the wide range of initiatives funded by the Government that are aimed at promoting the wellbeing of young people in rural Victoria in terms of access to dental, sexual health and mental health services, the Committee is of the view that a formal evaluation should be commissioned after a sufficient lead time had elapsed to assess whether the intended objectives have been realised in a coordinated manner. An important precursor should be the establishment of a consolidated suite of performance measures and reporting mechanisms which encapsulates the diverse range of initiatives that have been implemented by the Department.

Recommendation 34: **After a sufficient lead time has elapsed, the Department of Human Services evaluate the effectiveness of the initiatives aimed at promoting the wellbeing of young people in rural Victoria in terms of access to dental, sexual health and mental health services.**

370 Department of Human Services, *Response to the Public Accounts and Estimates Committee Financial and Performance Outcomes Questionnaire Part Two*, January 2009.

371 ibid.

372 Department of Human Services, *Because mental health matters – Victorian mental health reform strategy 2009-19*, March 2009.

13.3 Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest

In November 2005, the Department of Innovation, Industry and Regional Development launched a new plan to develop, grow and strengthen regional Victoria, *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest*. Given that this program is now in its fourth year of implementation, the Committee requested a detailed update of expenditure and progress against major targets and milestones for each of the 15 actions in the plan. The plan committed the Government to investing $502 million across 15 major actions.

In June 2008, the Government released an update to the plan, *Moving Forward: Update, The Next Two Years 2008 to 2010*. This update included an additional $68.3 million across five priority areas:[373]

- manage growth and change;
- industry development;
- skills development; and
- tackling drought and climate change.

The *Report on the 2006-07 Financial and Performance Outcomes* examined *Moving Forward* expenditure, focusing on two major funds, the *Provincial Victoria Growth Fund* and the *Regional Infrastructure Development Fund* which accounted for two of the 15 actions.[374]

Following on from this, the Committee determined to examine the progress made to date on addressing the 15 actions in the plan. The Department provided the Committee with a detailed breakdown of expenditure and progress against milestones for each of the 15 actions in the plan, see Table 13.1.

Since June 2006, $217.4 million has been spent on *Moving Forward* initiatives, 43.3 per cent of the original budget of $502 million. However, data provided by the Department indicated that the current estimated total investment has increased by 36.1 per cent to $683.3 million. While acknowledging the numerous funding sources associated with *Moving Forward*, including the *Provincial Victoria Growth Fund* and the *Regional Infrastructure Development Fund*, the Committee believes that further work is required by the Department and Regional Development Victoria to present financial information associated with *Moving Forward* in a concise and consistent manner.

Recommendation 35: **The Department of Innovation, Industry and Regional Development, and Regional Development Victoria develop a clear, useful and concise means for reporting financial information associated with *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest.***

Within the 15 actions identified in *Moving Forward* are over seventy individual initiatives. The Department has provided an update against each of these initiatives, as detailed in Table 13.1. One initiative, has been discontinued, *Strategy to Support Teleworking and Home Based Business*, while 13 others have been completed. More generally, there is evidence to indicate that significant progress has been made across all actions identified in *Moving Forward*.

373 Regional Development Victoria, Annual Report 2007-08, p.23

374 Public Accounts and Estimates Committee, *Report on the 2006-07 Financial and Performance Outcomes*, May 2008, pp.455-457.

Table 13.1: 2007-08 Expenditure Incurred by Action

Action	Moving Forward Investment ($million)	Total Expenditure since July 2006 ($million)	Actual Expenditure 2007-08 ($million)	Actual Expenditure 2006-07 ($million)
1 Creating a new Provincial Victoria Growth Fund	100.0	31.3	19.0	12.3
The announcement by the Premier on June 3 2008 of new and revised initiatives in the *'Moving Forward: Update The Next Two Years 2008 to 2010'* has brought the number of initiatives under the Provincial Victoria Growth Fund to 45 and has committed most of the $100 million. Many of the initiatives are repeated under various actions below.				
2 Renewing and enhancing the Regional Infrastructure Development Fund	200.0	60.9	19.1	41.8
All RIDF sub-programs have commenced and are reported under various actions below. Overall RIDF has contributed over $402.7 million to 192 announced major capital works projects throughout rural and regional Victoria and the $200 million allocation has contributed to this.				
3 Attracting more people to live, work and invest in provincial Victoria	14.7	6.6	3.0	3.6
Investing in Provincial Victoria campaign - The campaign has sponsored the Herald Sun Tour, Geelong Football Club and the Bendigo Spirit Women's National Basketball team. **Provincial Victoria Sponsorship for Local Events -** There is continuing strong interest in the program. 138 Events encompass sporting, musical, arts, food and wine themes have been funded since the program's establishment. **Provincial Economic Partnerships program -** 28 projects with grants totalling $575,313 have been funded to date providing assistance for regional councils for economic promotion and marketing activities and for upgrading the skills of council employees involved in economic development. **A new provincial unit within VicUrban -** The key highlight in 2007-08 for the Vic Urban provincial unit was the identification of a number of potential development opportunities, both surplus government-owned and privately-owned land.				
4 Managing growth and change in regional communities	13.5	3.7	2.5	1.2
Supporting councils to manage and plan for growth - 57 projects have been approved to date under this initiative to the value of over $4.4 million. *'Moving Forward: Update The Next Two Years 2008 to 2010'* outlined funding of $3 million from this initiative towards the Regional Strategic Planning Initiative that will focus on developing long-term regional and sub-regional plans, overseen by the Ministerial Taskforce on Regional Planning. **New Planning Cadetships and Traineeships -** 10 Cadetships and 9 Traineeships were approved to be placed during the last round **Geelong – study to renew Corio/Norlane –** Initiative Complete **Scoping study for Geelong Performing Arts Centre and Geelong Cultural Precinct Masterplan -** Project Complete				
5 Delivering greater support for small towns	36.6	5.3	3.9	1.4
Small Towns Development Fund - 236 projects funded since Moving Forward announced.• To date, $12,925,372 has been committed to 130 STDF projects from the $25 million Moving Forward allocation with grants expenditure totalling $6,485,509. **Small Towns Program -** Minister Allan launched the Rural Economic Development Opportunities Fund in Rosedale on 18 March 2008. Inaugural Small Towns Summit held in Birchip with 200 attendees. Business Vitality Initiative pilot program held in five towns (Myrtleford, Robinvale, Macarthur, Dimboola & Yarram). Effective Community Engagement workshops held in Lorne, Benalla, Halls Gap & Swan Hill. **Community Enterprises -** Projects approved by the Minister include the towns of Chiltern, Woomelang and Hopetoun				
6 Boosting regional arts, cultural and recreational facilities	34.3	6.8	4.2	2.6

Table 13.1: 2007-08 Expenditure Incurred by Action

Action	Moving Forward Investment ($million)	Total Expenditure since July 2006 ($million)	Actual Expenditure 2007-08 ($million)	Actual Expenditure 2006-07 ($million)
Building new arts and cultural facilities in provincial Victoria - Projects announced Wangaratta Performing Arts Centre Development, Arts facility upgrades to various venues in the Glenelg Shire and Shepparton Eastbank Centre Improvements. **Growing regional arts -** Projects under consideration include redevelopment of the Hamilton Arts Precinct, View Street Arts Precinct, Bendigo - Stage 1 works and Warragul Civic Precinct Redevelopment: Upgrade of West Gippsland Arts Centre. **Extending the Country Football and Netball program -** 60 projects have been funded through the Moving Forward CFNP initiative.				
7 Attracting investment and promoting exports	6.3	4.1	2.1	2.0
New Investment Partnership Program *Wimmera Mallee Pipeline* **-** Projects approved include Sustainable Agribusiness Opportunities – WMP Project, WDA Business Advisory Officer, WDA Business Directory and WDA Business Workshops. **A new Provincial Victoria Buy Locally Campaign -** 18 projects have been approved to date **Boosting Local Public Private Partnerships -** 5 Gateway Reviews of local government projects have been undertaken. **Regional Inward Buyer Mission and Export Links Advancing Opportunity -** 12 projects have been approved to date. **Innovation and Regional Specialisation Opportunities through Science, Technology and Innovation -** 4 projects have been approved to date. **Delivering new technology commercialisation services** *VicStart Regional Technology Commercialisation Program* **-** Over 150 regionally-based Technology Commercialisation Opportunities have participated in the program to date.				
8 Building a skilled provincial workforce	43.0	12.3	7.1	5.2
Make Your Career Happen in Provincial Victoria - A number of industry projects have been approved involving the Building Commission (building surveying) the Master Builders Association (building construction trades) and the Rural Workforce Agency Victoria (rural doctors) **Positioning Provincial Victoria to Capitalise on Skilled Migration -** The Global Skills for Provincial Victoria program was launched by the Minister for Skills and Workforce Participation in November 2007 in Wangaratta. There was a further announcement by the Premier of the Grampians Pyrenees partnership in Stawell in April 2008. 10 regional partnerships applied for funding and all have been approved. **Attracting Skilled Migrants to Provincial Victoria -** Major enhancements to the LIV website's content and structure were implemented in June 2008 and included detailed regional profiles. Provincial Victoria was showcased at overseas expos in the United Kingdom and the Republic of Ireland in March/April 2008, as well as 'States of Australia' Roadshows in May 2008. A series of advertorials were published in migration magazines profiling skilled migrants who settled in regional Victoria. Live and Work in Melbourne and Regional Victoria is the new brochure promoting Victoria and providing information on how to migrate to Victoria. **Skills and Jobs for Disadvantaged Workers -** Following completion of Stage 1, which identified skills gaps and opportunities, Stage 2 involves establishment of projects tailored to meet the needs identified in Stage 1. Four dedicated projects have commenced in Ballarat and Western Victoria to address the skill needs of the manufacturing industry. **Vocational Education and Training -** Regional TAFE institutions have met the delivery targets for 2006 meaning that the department is on-track to meet the required additional 2,600 places. An induction program for graduate engineers, to be known as the Power Enterprise Graduates of Gippsland Program (PEGG), has been endorsed by the Generation Skills Advisory Group. Three skills analyses have been undertaken to identify the need for customised training programs **Extending CRISP -** As at 30 June 2008 there have been 46 CRISP II projects approved with total funding of $3.89M. Promoting Provincial Leadership Boosting Leadership Skills. 38 projects have been funded since the program's establishment.				
9 Driving growth and competitiveness in Victoria's primary industries	46.5	23.5	11.4	12.1

Table 13.1: 2007-08 Expenditure Incurred by Action

Action	Moving Forward Investment ($million)	Total Expenditure since July 2006 ($million)	Actual Expenditure 2007-08 ($million)	Actual Expenditure 2006-07 ($million)
Government support for new investment in Dairy Industry *a) Leichtville - MG projects* **-** Physical works have commenced with works on two of the four project components completed - Saline Evaporative Pond (December 2006) and In Plant water Re-use System (October 2007). Government support for new investment in Dairy Industry - b) Leongatha - MG project. Legal agreement completed and signed by both parties. **A New Dairy Industry Roads Sub Program of RIDF** *Dairy Farm Gate Access Scheme* - 134 applications have been received under this program to date 92 of these projects have been completed with grants expenditure totalling $164,827. *Local Dairy Roads Program* - Of the 16 projects approved, 7 have been completed and another 5 are under construction or finalising completion. The other 4 projects are in planning and design phases. **Further extension of the Stock Over/Under-pass Road Safety program -** To the end of June 2008 a total of $1,742,400 had been allocated to 77 underpass/overpass projects from the new funding. **Driving Growth in Victoria's Dairy Industry** *Promoting Good Employment Practices in the Dairy Industry* - The project has gone live with the website and is receiving a lot of positive response. Dairy Australia have used the Live Library modules on Farm Policies & Systems, Recruitment, Engagement & Reward and Individual Performance as the basis of a Diploma of Business (HR), with 16 advisers and farmers enrolled and completing 5 units by May 2008. *Driving Growth in Victoria's Dairy Industry* - The second draft options paper for the Review of Future Infrastructure Requirements for Research, Development and Extension in the Australian Dairy Industry was completed in June 2008. **Developing gold undercover -** A key achievement was the release to tender for the information technology GUIDe 7 Search & Delivery capability in June 08. **Developing the Latrobe Valley's resources future -** Expenditure on exploration related activities for coal has increased from $0 in the year 2000 to over $100m today.Expenditure on exploration related activities for emerging industries like coal bed methane has increased from $0 in the year 2000 to over $20m today Victoria has attracted large scale multi-billion dollar investment in non power related developments for coal resources including the granting of a mining licence to Monash Energy (coal to liquids project) and the recent announcement of a urea production plant by the Australian Energy Company.Government has increased its strategic capacity to plan coal development and has funded Clean Coal Victoria $12.2m over 4 years. **Centre for Greenhouse and Energy Technology -** CEGT's 'Key Strategic Challenge' achieved financial self sustainability via the successful raising of the $50m Cleantech Australia Fund and the consequent cost reductions able to be achieved within the CEGT Fund by spreading costs across both funds. 2 more high quality Investment Managers have joined the team that now totals 5 investment professionals on the ground – Australia's biggest team of early stage sustainable energy / cleantech investment professionals; **Emerging Sectors– Biofuels -** Biofuels Champion has been appointed and work is being undertaken on each of the key parts of the plan. **Four Seasons Energy pilots -** Five Projects have been approved for Corryong, Edenhope, Kaniva, Wangaratta and Mt Hotham amounting to $688,000. Additional proposals have been received for Swan Hill, Lorne and Heathcote. **Geo-exchange Program -** Application has been received to establish the Geo-exchange centre of excellence **Implementing the Plantation Incentives Strategy -** SW Land Use Change Project: Living with land use change: different views and perspectives report released.• Hardwood plantation thinning and mulching trials have been completed in Bendigo with City of Greater Bendigo and in Lismore with Smartimbers.• Forest Health Surveillance Workshop held in Ovens in conjunction with Melbourne University to launch and promote use of the Forest Health Surveillance Field Guide and report.• DPI promoted forestry careers at the Austimber 2008 Careers Conference and Expo.• DPI conducted the first OH and S forestry safety workshop in Gippsland.• A series of workshops have been held. **CRC for Innovative Dairy Products -** Initiative Complete **Gold Workforce Development Plan -** Initiative Complete **Technology Road Map for Victoria's Earth Resources -** Initiative Complete **Industry Road Map for Alternative Fuels -** Initiative Complete **Establishing the Sustainable Timber Industry Council -** Initiative Complete				

Table 13.1: 2007-08 Expenditure Incurred by Action

Action	Moving Forward Investment ($million)	Total Expenditure since July 2006 ($million)	Actual Expenditure 2007-08 ($million)	Actual Expenditure 2006-07 ($million)
10 Meeting new challenges in strategic regional industries	30.8	12.0	8.5	3.5
Breakthrough Eco-Tourism in Victoria's State Forests *Land bank* - Preliminary site identification workshops have been held with DSE and Parks Victoria staff in Traralgon, Orbost, Dunkeld and Alexandria. All sites have been mapped and recorded on the DSE land management mapbase. *Otway Forest Lodge* - A development concept was finalised and used as a basis for informal market sounding. A pre-feasibility assessment of the concept has been completed **Marketing Provincial Victoria Program -** A new marketing campaign to entice visitors to the High Country was launched in March 2008. Tourism and Major Events Minister, Tim Holding launched a new tourism campaign for the Grampians in May 2008. Regional Brand Guidelines and marketing toolkits were developed to assist regional campaign committees to implement and underpin their brand campaigns. Provincial Victoria gained significant coverage on the Postcards television program, which has been dedicated to the promotion of Victoria's regions, tourism activities and attractions. A new Regional Tourism Association in the Grampians region was finalised in April 2008. **A new state-wide Provincial Pathways program -** Two projects currently being developed to address problems associated with planning / design / costing of pathway projects in regional Victoria. **Boosting Recreational Fishing and Tourism Opportunities -** Improvements at Lake Hyland (Churchill) have been completed. Family fishing events were conducted at all five Premier Lakes. The Go Fishing in Victoria web site has been further developed and is proving popular as an informative resource for this project and on recreational fishing in general. A series of eight 'Let's Go Fishing For…' cards have been recently released. **Falls Creek All Season Gateway Project -** Landscape works including pedestrian and vehicular paving, stonewalling, retaining walls, subsurface drainage and services complete May 2008. **New Support for Next Generation Food Strategy -** For 07/08 there are three projects completed and a further one approved. A highlight has been the further promotion within the restaurant sector with the restaurant 08 in Melbourne. The North east regional product project ventured into the niche area of working with equine buyers and investors. A total of 14 applications have been approved for Supporting Greater Collaboration-Network to Success. **New Support for the Wine Industry -** 19 regional branding workshops have occurred throughout the state.The workshops encouraged the regions to adopt the 'Wine of Victoria' branding in synergy with the regional branding. **Lean Manufacturing -** Program complete **Manufacturing- Water Technologies Industries Cluster -** Critical mass achieved. High performing entities with links to R&D. Cluster manager appointed June 2008. **Emerging Sectors - Water Technologies -** Funding of $100,000 for an initial project (Regional Industry Link – RIL) has been approved and activity has commenced. The website development has been completed and is now 'live'. Company registration is starting to build. **Manufacturing- Agricultural Machinery and Equipment -** An Agricultural Machinery Consortium (Buloke Shire) has been developed to address some key issues impacting on this sector. **Manufacturing- Furniture -** Program complete.				
11 Promoting sustainable development and better land management	19.1	9.9	5.9	4.0

Table 13.1: 2007-08 Expenditure Incurred by Action

Action	Moving Forward Investment ($million)	Total Expenditure since July 2006 ($million)	Actual Expenditure 2007-08 ($million)	Actual Expenditure 2006-07 ($million)
Developing Streamlined Property Management Systems - Six case studies covering native vegetation, whole of farm planning, intensive cattle and lamb feedlot industry, dairy cattle feedpads and the Victorian broiler industry, have been undertaken to develop and test a methodology for streamlining regulatory and planning processes. **Services and Information for New Land Managers -** Developed 6 new fact sheets. Held 13 events for new landowners in Central, North East Victoria and Gippsland. Distributed 1,100 information kits throughout Victoria **Targeted Bush Tender -** Both BushTender auctions have now been completed, and a report is currently being prepared on the results of the auctions. **Community Management of Crown Land -** 2007/2008 Funding - Funds have been allocated to 81 projects. **Tackling Weeds and Pests in High Risk Rural Areas -** The CaLP Act Amendments component concluded on 30 June 2008• Data systems have all been updated to ensure that use of the new CaLP Act compliance tools can be sufficiently recorded and reported.• Demonstrated application of amendments on 1 priority weed compliance project• 16 Fact Sheets have been completed• Weed Risk Assessments for next 45 Victorian Alert Weeds completed.				
12 Creating new bus and transport connections	50.8	22.5	14.0	8.5
Park & Ride Stations - All park and ride facilities have been completed and opened to the public **Regional Bus Services -** All Bus service initiative have been delivered. **Refitting V/line's regional train fleet -** The refurbishment of 6 Sprinters, 2 x 4 carriage H sets, and 4 x 4 N class trains and 2 BZN carriages have been completed.				
13 Delivering a new deal for local ports	61.5	18.2	9.2	9.0
A new Deal for Local Ports - In 2007/08 a total of $5,597,000 of RIDF funding and co-contributions by the port managers was allocated to works projects in Port Fairy, Bellarine, Gippsland Lakes, Port Welshpool and Port Albert.Projects funded in 2007/08 for SEMP implementation and asset maintenance included projects in Swan Bay, Cowes Pier, Portarlington, Port Fairy, Barwon Heads, and Lorne. **Keeping the Port of Lakes Entrance Open -** A major milestone was achieved in March when the TSHD the Pelican commenced dredging operations on the bar and in the channels of Lakes Entrance				
14 Improving access to broadband infrastructure	6.2	0.3	-	0.3
Investing in Next Generation Broadband - In early April 2008, the Commonwealth Government announced it would not proceed with OPEL. Subsequently a revised project (VicFibreLINKS [VFL]) received $20 million funding through the 2008/09 Budget. **Strategy to Support Teleworking and Home Based Business -** This initiative is discontinued				
15 Building better freight and supply chain links	20.0	0	-	-
A new Intermodal Freight program - Discussions are progressing well with stakeholders and users of intermodal terminals at Dooen, Warrnambool and Shepparton. **Strategic industry road plans -** All studies have been completed.				

Source: Department of Innovation, Industry and Regional Development, Response to the Public Accounts and Estimates Committee Financial and Performance Outcomes Report Part Two.

13.4 Staff located in central office and regions in the Department of Education and Early Childhood Development

As of June 2008, the Department of Education and Early Childhood Development employed 2,091 full-time equivalent non-teaching staff in its central and regional offices throughout Victoria. Of these staff, 17.9 per cent (374.8 EFT) were employed in regional Victoria.

Overall, the number of staff employed in regional offices rose by 2.7 per cent from 2007 to 2008, however, this change is relatively minor when compared with the 51.3 per cent increase in the central office staff for the same period. The Department explained that the June 2008 EFT figure for central office staff included:

- 11.3 EFT staff transferred from the Department of Innovation, Industry and Regional Development to the Victorian Registration and Qualifications Authority;
- 554.3 EFT transferred from the Department of Human Services as part of Machinery of Government changes during 2007-08.

Table 13.2 discloses a comparison of full-time equivalent staff located in the Department's central office and regions.

Table 13.2: Department of Education and Early Childhood Development

	Staff employed in regional locations (EFT)	*Staff employed in central locations (EFT)*	*Total (EFT)*	*Regional staff expressed as a percentage of the total (%)*
June 2007	364.9	1134.5	1499.4	24.3
June 2008	374.8	1716.6	2091.4	17.9
Percentage Increase (%)	2.7	51.3	39.5	

Notes: *(a) Central office staff includes all non-school locations (other than regions) and statutory bodies.*

Source: *Department of Education and Early Childhood Development, Response to the Public Accounts and Estimates Committee Financial and Performance Outcomes Report Part Two.*

The Department also advised the Committee that it does not retain historical data for individual payrolls, or include a breakdown by location.

The Committee is of the view that for monitoring purposes, the Department should consider the feasibility of implementing a payroll system that provides historical data and details by location.

Recommendation 36: **For the purpose of analysing payroll information, the Department of Education and Early Childhood Development consider introducing a payroll system that enables historical data for individual payrolls to be retained and provides a breakdown of payroll details by location.**

13.5 Administration of Drought Assistance Packages

The Department of Primary Industries *Annual Report 2007-08* identified 16 areas in which it provided support to families and businesses in rural communities affected by the drought. These areas detail a wide range of programs, one off projects and ongoing areas of work where Department of Primary Industries was involved in implementing the Victorian Government's drought assistance package.

The Department provided the Committee with a breakdown of expenditure against budget for 2007-08 and progress against milestones for each of the 16 areas, this is detailed in Table 13.3. Against a budget of $43.5 million in 2007-08, the Department spent $47.6 million representing an over expenditure of 9.4 per cent ($4.1 million). The only significant variations in budget were:

- the administration of the delivery of $17.3 million in municipal rates subsidies to drought-affected farmers ($7.9 million over expenditure); and
- the administration of 1,672 on-farm productivity improvement grants of $4.64 million to part-fund infrastructure improvements in areas most affected by drought ($3 million under expenditure).

The Committee noted that a significant number of the programs and initiatives outlined are either complete or nearing completion. Given this, it would be prudent for the Government to coordinate a progress update and project evaluation covering the major drought projects contained within its $400 million drought relief package.

Recommendation 37: **The Government prepare an evaluative study of the effectiveness of its current $400 million drought relief package.**

Table 13.3: Department of Primary Industries Drought Activities

Item	2007-08 Budget ($)	2007-08 Expenditure ($)	Explanation for Variations
Supporting the Victorian Premier's $100 million Drought Taskforce	This is not a specific drought initiative. It is a supporting function.		
Progress against major milestones DPI chaired a Drought Reference Group which provided advice on issues relating to the drought and water availability situation. DPI chaired a Drought Inter-Departmental Co-ordination Group which co-ordinated the development and consideration of proposals. DPI co-ordinated the quarterly progress reporting for the drought initiatives.			
Distributing 15,400 copies of The Hard Yard - Stories of Farming Life DVD which shows rural families that they don't have to face challenges such as drought, fire and flood alone	0	0	
Progress against major milestones The production of the Hard Yard DVD was completed in 2006-07 and distribution is ongoing. 15,400 copies of the Hard Yard DVD were distributed in 2007-08. An external evaluation was undertaken by Sweeney Research. The evaluation showed the Hard Yard DVD had a positive impact on the viewers' attitude on how to cope with hardships.			
Developing A Step Ahead - Stories of Farming Life DVD, due for release in August 2008, which will help farm businesses make decisions about their future	0.5	0.5	This was a deliverable in the Drought Communications Initiative.

Table 13.3: Department of Primary Industries Drought Activities

Item	2007-08 Budget ($)	2007-08 Expenditure ($)	Explanation for Variations
Progress against major milestones The drought communications initiative involved the production of a DVD to encourage farmers to be more proactive and to embrace change. The production of the DVD – *A Step Ahead* - was completed by 30 August 2008. An evaluation will be undertaken in 2009.			
Delivering the Sustainable Farm Families Program in partnership with the Western District Health Service, which addresses health, wellbeing and farm safety issues	1.4	1.4	
Progress against major milestones This Sustainable Farm Families program delivered 44 programs to 850 participants at the 30 June 2008. The remaining 6 programs were completed by 5 August 2008. The second round of workshops with the same participants will occur throughout 2008-09. These workshops will measure changes in participant health. This information will be available at the end of 2008-09. An external evaluation is underway, being undertaken by Roberts Evaluation. The evaluation will be completed in 2009.			
Hosting 13 Rural Futures Forums across seven areas in Victoria to help drought-affected farmers, industries and communities make decisions about their future and adjust to change	0.8	0.6	The Rural Futures Initiative (RFI) budget was underspent due to delays in staff appointments and reduced data purchase costs. The unused funds were transferred to other drought initiatives to ensure all the 2007-08 drought commitments were met.
Progress against major milestones The RFI program delivered 11 forums held across the 7 focus areas. Evaluation exit surveys showed that: • 87% of forum participants were either satisfied or very satisfied with the forums • 87% agreed that they would use the information learned from the forums in the future • 96% felt they were given an adequate opportunity to express their views • 40% indicated that their participation had changed their views about the future of their farming community An external evaluation was undertaken by RMCG. The evaluation showed that many participants more clearly understand the implications of change and the need to respond.			
Administering $15 million in Victorian Government interest rate subsidies	15.0	15.0	
Progress against major milestones This refers to the Exceptional Circumstance Interest Rate subsidy scheme which was administered by the Rural Finance Corporation on behalf of both the Commonwealth and Victorian Governments.			
Helping local industry and communities submit Exceptional Circumstances applications to the Commonwealth Government	This is not a specific drought initiative. It is a supporting function.		
Progress against major milestones DPI worked with the VFF to provide information on seasonal conditions to the Commonwealth Government to assist the Exceptional Circumstances review process.			
Administering the delivery of $17.3 million in municipal rates subsidies to drought-affected farmers	10.6	17.9	Budget: $10.6 million Expenditure: $17.9 million

Table 13.3: Department of Primary Industries Drought Activities

Item	2007-08 Budget ($)	2007-08 Expenditure ($)	Explanation for Variations
Progress against major milestones The MRS program provided $3.83 million in assistance to drought-affected farmers in its first year (2005-06), with an average subsidy of $1,450 granted to 2,700 recipients, and $9.50 million in assistance in 2006-07. Subsidies to the value of $17.33 million have been granted in 2007-08. Councils have been paid $0.60 million for administration. Independent audits of the administration of the MRS Scheme in 2006-07 and 2007-08 have taken place. The audits concluded that there were no significant issues that needed to be addressed. There were minor systemic improvements recommended for two of the councils that were audited.			
Administer the delivery of $2.4 million to 1,173 applicants of the Grampians Wimmera Mallee Water Tank Rebate	2.5	2.5	Budget: $2.5 million Expenditure: $2.5 million
Progress against major milestones 2,450 rebate applications have been approved to 30 June 2008 since the commencement of the program. Grampians Wimmera Mallee Water (GWMW) and DPI continued to process applications until July 2008. In May 2007, GWMW staff conducted a random audit of eligible customers who have received rebates. The audit found there were no significant issues that needed to be addressed.			
Coordinating the Victorian Government input to the National Rural Advisory Council Exceptional Circumstances review process	This is not a specific drought initiative. It is a supporting function.		
Progress against major milestones DPI cooperated fully with the National Rural Advisory Council (NRAC) to make data available to help facilitate the review process prior to a review of Exceptional Circumstances in September 2008. DPI worked with the Victorian Farmers Federation to provide information on seasonal conditions to the Commonwealth Government to assist the Exceptional Circumstances review process. This occurred in Central and East Gippsland, South and West Gippsland.			
Administering 1,672 on-farm productivity improvement grants of $4.64 million to part-fund infrastructure improvements in areas most affected by drought	10.0	7.0	The uptake of the On-Farm Productivity Improvement Grants program was initially slower than anticipated. At 30 June 2008, it was estimated that the $10 million allocation was likely to be under spent by $3 million, so the allocation for 2007-08 was reduced to $7 million.
Progress against major milestones Applications closed on 30th June 2008, and businesses had until the 30th of December 2008 to submit receipts and receive final approval and payments from the scheme. As at 30th of December 2008 Rural Finance had processed 4,203 applications with 3,355 applications approved (80% approval rate) for $9.3 million. The breakdown of infrastructure improvements is: • Feed pads or feed troughs (348) • Fodder storages and systems (1,666) • Packing shed improvements (112) • Reticulated water systems (1,174) • Other Structural Improvements (55) An evaluation will be undertaken in 2009.			
Providing $816,750 to 533 employers across drought-affected regions of the State to help them retain apprentices. A total of 1,089 trainees and apprentices were supported through this scheme	1.9	1.9	Budget: $1.9 million Expenditure: $1.9 million

Table 13.3: Department of Primary Industries Drought Activities

Item	2007-08 Budget ($)	2007-08 Expenditure ($)	Explanation for Variations
Progress against major milestones The Drought Apprenticeship Retention Bonus (DARB) program provided support to 636 businesses covering 1,224 apprentices in 2007-08. These figures are higher than those that appeared in the DPI annual report as applications continued to be processed into July 2008. A telephone survey of DARB recipients was undertaken in October 2007. The report showed all recipients valued the bonus highly and most said it helped them to retain their apprentice.			
Providing assistance to humanely dispose of or rehouse horses at risk due to financial or management failure of businesses during drought	0.1	0.1	
Progress against major milestones This project: • Funded the management of care and disposal of approximately 60 horses affected by drought • Provided general advisory services to persons on decision making with regard to sale, disposal or rehousing of horses that could not be maintained • Funded the development of a DPI guideline for the Rehabilitation of Horses. Project duration was from August 2007 to February 2008. This initiative provided funding for the care and disposal of horses that might otherwise have suffered during drought that otherwise may have become serious welfare problems for investigation and prosecution.			
Delivering drought management workshops in areas where horses were at risk	0	0	N/A - Expenditure against Budget not available as we do not report on this project specifically.
Progress against major milestones This project delivered 4 forums to approximately 150 horse owners across Victoria. Forums were delivered through October and November 2007. This initiative provided information to horse owners on proper care of horses and options available through drought.			
Providing industry grants of $500,000 to 11 organisations in northern Victoria that suffered from reduced income as a result of the drought	0.5	0.5	
Progress against major milestones This project provided grants of up to $75,000 to 11 industry support groups that suffered from reduced income as a result of the drought. Applications were received in November 2007 from 25 groups totalling $1.3 million. A panel ranked the applications against an eligibility criterion and provided funding to 11 groups totalling $0.45 million. This initiative provided financial support to rural groups to assist them through the drought. All industry groups have satisfactorily completed final reports.			
Assisting 255 irrigated horticulture growers on the Goulburn or Murray system to access the services of independent consultants	0.3	0.3	The original budget of $1.2 million was reduced after the Commonwealth Government broadened the scope of the Professional Advice & Planning Grant to include the development of all risk management & business plans not just a drought plan.

Table 13.3: Department of Primary Industries Drought Activities

Item	2007-08 Budget ($)	2007-08 Expenditure ($)	Explanation for Variations
Progress against major milestones This decision support program provided 255 horticulture growers with consultancy advice. This program targeted horticulture growers in Northern Victoria and Sunraysia. The breakdown of growers who accessed the services are: • Goulburn Valley (53) • Murray Valley (25) • Torrumbarry/Pyramid-Boort (27) • Lower Murray (129) • North East (6) A final report on the program will be completed in 2009.			
Coordinating the Victorian Government's collaboration with the Commonwealth and other states and territories through the Primary Industries Ministerial Council (PIMC) to improve drought policy, by shifting from an emergency response focus toward an emphasis on preparedness and adaptation.	This is not a specific drought initiative. It is a supporting function.		

Source: Department of Primary Industries, Response to the Public Accounts and Estimates Committee Financial and Performance Outcomes Questionnaire Part Two.

13.6 Victorian Natural Disasters Relief Trust Account

The Victorian Natural Disasters Relief Trust Account is operated by the Victorian Government to provide grants and reimbursements to local councils, individuals, small businesses and primary producers who are adversely impacted by natural disasters.

Table 13.4 identifies the trust account balances as of July 2006, 2007 and 2008.

Table 13.4: Victorian Natural Disasters Relief Trust Account Balances

	1 July 2006 ($,000)	1 July 2007 ($,000)	1 July 2008 ($,000)
Victorian Natural Disasters Relief Trust Account	7,470.5	4,693.9	6,401.0

Sources: Department of Treasury and Finance, Annual Report 2007-08, p.82 and Public Accounts and Estimates Committee, Report on the 2006-07 Financial and Performance Outcomes, p.223.

During 2007-08, the Government contributed $8 million to the trust account and spent $6.3 million, primarily supporting those affected by the Gippsland Floods. Of the Payments made in 2007-08:

- funds were granted to local councils to reimburse costs associated with emergency protection and asset restoration works that are required as a consequence of a natural disaster associated with, for example, bushfire, flooding or storm events. These works include repairs to roads and other essential public assets that would normally be beyond the resources available to many local councils and communities;
- additional money was provided to local councils to fund Gippsland Flood recovery works, with further claims still being received and assessed; and

- $5.5 million was provided to the Rural Finance Corporation, who, on behalf of government, administer the provision of concessional loans and Community Recovery Grants to small business and primary producers. These loans and grants support the recovery of a community following a significant natural disaster, such as the 2006-07 bushfires and 2007 Gippsland floods.

Given the magnitude of the Victorian bushfires experienced in early 2009, the Committee considers that it would be prudent for the Government to review the adequacy of the balance held in the Victorian Natural Disasters Relief Trust Account to support local government, families and businesses to deal with the impacts of periodic exceptional major natural disasters of a larger scale.

13.7 Automatic Locking Doors on Passenger V/Line Trains

The 2006-07 Budget allocated $8.2 million to the Department of Infrastructure (Transport) to undertake a program to fit door safety mechanisms to 85 N,S and Z class locomotive-hauled V/Line carriages which did not have central locking systems. The new locking systems were designed to ensure that passengers could not open the doors while the trains are in transit.

The Department of Transport *Annual Plan 2007-08*, advised that 54 cars were modified, by 30 June 2008, with the rest due for completion by the end of 2008.

The Department advised the Committee that $4.9 million (59.8 per cent) has been spent to date (January 2009) and 68 carriages have been completed. Of the 85 carriages initially designated to have the door locking mechanism fitted, two carriages will not be completed. This is because one carriage was involved in the Kerang incident and will be scrapped and the second carriage, a club car, will be handed back to VicTrack as it is no longer suitable for service. As of January 2009, the following progress had been made:

- 68 carriages completed (81.9 per cent);
- 7 carriages have been started and are due for completion by the end of February 2009 (8.4 per cent); and
- 8 carriages will be completed by June 2009 (9.6 per cent)

CHAPTER 14: THRIVING ECONOMY

Key Findings of the Committee:

14.1 **Given that 96 per cent of the 300,000 businesses in Victoria are regarded as small businesses and the impact of the small business sector in terms of driving the economy including job creation, the Government should develop measures and targets in terms of:**

- **skilling small business operators;**
- **generating jobs, exports and investment; and**
- **providing support for innovative small businesses.**

14.2 **The Government's Maintaining the Advantage initiative is aimed at increasing the skills of Victoria's workforce with a resultant growth in productivity. Over the past two financial years (2006-07 and 2007-08), expenditure has tracked at $21.2 million below budget. The largest area of under-spending ($18.8 million) is associated with the construction of four Technical Education Centres (TECs). While the Berwick, Wangaratta and Heidelberg TECs are to be built and operational by mid 2009, the delay with the Ballarat TEC requires a re-assessment of the completion date.**

14.3 **With more than half a million students participating in the Vocational Education and Training (VET) system in 2007 (2.5 per cent more than in 2006) and almost 126 million student contact hours (SCHs) being delivered by the VET system in 2007 (an increase of 8.3 per cent over 2006), there has been an increase in the number of skilled, job ready Victorians available to participate in the workforce. However, in relation to students' employment outcomes, only 13.6 per cent of graduates had gained employment after training in 2008, albeit that this outcome was the highest since 2005 and was above the national average of 12.5 per cent.**

14.4 **In 2005-06, the community and not-for-profit sector delivered around $2.2 billion in government services. Two years into the Reducing the Regulatory Burden initiative, the Government has achieved an estimated net reduction in the administrative burden of $162 million in 2007-08. Key initiatives that have contributed to this outcome centre on streamlining reporting processes and requirements ($85 million per annum) and legislative reviews and amendments ($53 million per annum).**

14.5 **In reducing the regulatory burden and streamlining interaction with government, the Committee believes that it will be important for the Government to be mindful of the need to responsibly balance administrative simplicity with the fundamental need for an adequate level of accountability and transparency. Achieving an appropriate balance and tradeoffs will depend on how risk is apportioned for individual cases.**

14.6 **The increase in net debt of the water sector during 2007-08 of 25.4 per cent from $3.2 billion at 30 June 2007 to $4.0 billion at 30 June 2008 was primarily due to the increase in the sector's capital expenditure program, which was largely directed at capacity augmentation to provide for growth and regulatory obligations.**

14.7 **In the metropolitan water sector, Melbourne Water's capital expenditure includes provision for the cost of construction of the Sugarloaf Interconnector (TEI $750 million), and its share of the capital cost of the Northern Sewer Project (TEI $650 million) (joint project with Yarra Valley Water).**

14.8 **In the regional water sector, net debt has increased to fund the Goldfields Superpipe Bendigo leg (TEI $71.8 million) and the Ballarat leg (TEI $178.7 million), the Wimmera Mallee Pipeline (TEI $688 million) and the Gippsland Water Factory (TEI $183.1 million).**

14.9 **Real Gross State Product (GSP) per employed person in Victoria grew by 0.5 per cent in 2007-08, and increased overall since 2000-01 by 23.7 per cent. Victoria continues to provide a tax system that is competitive with other states.**

14.10 **Obtaining value from government services has been derived through the Department of Treasury and Finance implementing a range of initiatives that include:**

- **adopting a strategic approach to planning, establishing and managing whole of government contracts through State Purchase Contracts for items such as travel, fuel and personal computers;**
- **managing the Victorian Office Telephony Services agreement;**
- **managing Telecommunications Carriage Services;**
- **playing a lead role in the area of public private partnerships for the delivery of infrastructure projects, particularly in the areas of education, health and water;**
- **being influential in developing the Wonthaggi Desalination Water Plant strategy and launching the Partnerships Victoria schools project; and**
- **supporting the Government's decision-making through budget and expenditure review processes.**

14.11 **In relation to the Yarrawonga Airport Upgrade and the Mallacoota Airport Infrastructure Enhancement, estimated to be completed by 31 December 2009, no expenditure from the Regional Infrastructure Development Fund through the Regional Aviation Fund had been incurred as of mid February 2009. Progress on these projects will have to be closely monitored to ensure they are completed on time.**

Overview

14.1 Introduction

Thriving Economy is the first *Growing Victoria Togethe*r vision examined by the Committee in this year's Financial and Performance Outcomes Report.

14.2 Linkage of issues examined to the *Growing Victoria Together* visions

This chapter contains outcome-related comments pertaining to eight issues categorised according to each relevant agency. As well as serving to enhance accountability, the Committee believes that this information will engender debate and provide a springboard for follow-up as part of the Committee's impending inquiry into the 2009-10 budget estimates.

The Committee asked a range of questions to departments and agencies in relation to the Thriving Economy Vision. These questions, and the relevant department or agency responses, are detailed in the in full, with supporting commentary from the Committee where it is deemed relevant. Issues selected by the Committee for examination aligned to the *Growing Victoria Together* goals cover the following topics:

More quality jobs and thriving, innovative industries across Victoria

- effectiveness of small business programs in terms of skilling small business operators, generating jobs, exports and investment, and providing support for innovative small businesses;
- outcomes from the development of education and training opportunities in terms of skilling Victoria's workforce;
- Brand Victoria Initiative – costs and impact;
- reducing the regulatory burden on the not-for-profit sector;
- the water sector's capital expenditure program aimed at capacity augmentation to provide for growth and regulatory obligations;
- Victoria's productivity and competitiveness; and
- improving value for money from government services for optimising service delivery.

Growing and linking all of Victoria

- Aviation infrastructure improvements.

More quality jobs and thriving, innovative industries across Victoria

14.3 Department of Innovation, Industry and Regional Development

14.3.1 Effectiveness of small business support programs

(a) Question

Please outline the financial commitment made by the Government, through Small Business Victoria, to support small businesses during 2007-08 and the three previous years.

Please outline the major programs undertaken and achievements by Small Business Victoria during this time in relation to:

- small business operator skills;
- job generation;
- exports; and
- investments.

Response

Over the last three financial years, the Victorian Government, specifically through Small Business Victoria, has provided small business support to the value of $27.8 million in 2007/08, $22 million in 2006-07 and $19.6 million in 2005-06.

Small Business Victoria programs are designed to skill small business operators; generate jobs, exports and investment; and provide support for innovative small businesses. Key programs and achievements in this time have been:

- the release of the Victorian Government's Small Business Statement, *Time to Thrive*: Supporting the changing face of Victorian small businesses, that sets out a $98 million whole of government commitment and the Government's five year strategy from 2006 to 2010 for promoting a thriving economic environment in which small businesses operate;
- the Energise Enterprise Small Business Festival is firmly established as Victoria's pre-eminent event for people who are starting, running and building their small businesses. Since the inaugural festival in 2006, Energise Enterprise has provided inspiration, ideas and information to more than 66,000 small business people attending over 945 events throughout regional and metropolitan Victoria. In 2008, 31,000 people attended over 335 events delivered by more than 100 partner host organisations, industry groups and agencies;
- the development and delivery of the My Business My People pilot program in 2006 assisted Victorian small and medium businesses to overcome skills shortages and to attract and retain a skilled workforce. My Business, My People helped businesses identify their future skills needs and to start training their existing staff to ensure they have the right people at the right time. This program has since been expanded to form a key part of the Government's 2008 Securing Jobs for Your Future: Skills for Victoria statement. The $52 million initiative, Skills for Growth: The Workforce Development Program, will address the skill needs of business and the training needs of the workforce;

- the Small Business Mentoring Service has provided low cost mentoring for established small businesses and business intenders in Victoria during this time. The program aims to improve the performance and employment potential of Victorian small businesses. It delivers more than 1,500 mentoring sessions annually and maintains a high level of client satisfaction, with an independent survey showing 88 per cent of clients rated their mentors as 'good to excellent';
- the Under New Management program provides valuable and practical information for start-up businesses through workshops and seminars. From 2005-06 to 2007-08, the program has offered 806 seminars or workshops and assisted 10,576 people across the state;
- the launch of the C21 Challenge pilot program in March 2008 is a $1 million investment to assist the future sustainability of Tier 2 and Tier 3 automotive component manufacturers; and
- the Grow Your Business program provided assistance, including grant subsidies, to help Victorian businesses invest in the development and implementation of strategies to become internationally competitive. Over the last three financial years from 2005-06 to 2007-08, 362 individual companies were assisted under the program and 122 group programs approved.

The programs provided by Small Business Victoria complement a range of additional initiatives provided by the Department of Innovation, Industry and Regional Development to support and assist businesses to export. Grants are available under the *First Step Exporter* program, *Trade Fairs and Missions Program* and *Export Networks* program. Businesses looking to enter markets in the United States, Middle East, India and China, may also access desk space as well as market entry assistance, cultural training, agent identification and product evaluation.[375]

Committee comment

The Committee, in acknowledging the programs relating to small business that have been developed over a wide range of fronts, was interested in examining the results that have transpired from such activity in terms of:

- skilling small business operators;
- generating jobs;
- enhancing exports;
- increasing investment; and
- supporting innovative small businesses.

While not confined solely to small business, the Committee observed, from reviewing information reported by the Department of Innovation, Industry and Regional Development in its 2007-08 annual report, that increased activity occurred in 2007-08 compared to targets and that of the previous year. Table 14.1 sets out details relating to selected outcomes achieved by the Department for various outputs.

375 Department of Innovation, Industry and Regional Development, response to the Committee's Financial and Performance Outcomes Questionnaire Part Two, received 17 February 2009, pp.26-27

Table 14.1: New jobs, investments, exports and apprenticeships 2007-08 compared to expectations and the prior year

Output Group/Output	Performance measure	Unit of measure	Target 2006-07	Actual 2006-07	Target 2007-08	Actual 2007-08
Investment Attraction/Investment Facilitation and Attraction	Jobs derived from investments facilitated	number	5,000	8,002	5,000	8,212
	New investments facilitated	$ million	1,600	3,541.5	1,600	3,254
Trade Development/Export Promotion	Exports facilitated and imports replaced	$ million	689	1,520.4	689	2,150
Skills	Number of apprentices/trainees completions who qualify for the completion bonus	number	13,070	13,070	13,360	16,057
	Number of apprentices/traineeship commencements by new employees	number	56,785	56,785	52,600	57,991

Sources: Department of Innovation, Industry and Regional Development, 2007-08 Annual Report, pp.179 and 185, and 2006-07 Annual Report, pp.212-213 and 219

The Committee acknowledges the financial commitment provided to small business by the Government and the wide range of programs underway to support that sector. The Committee also understands that with in excess of 300,000 businesses in Victoria of which 96 per cent are regarded as small businesses, the level of employment generated by the small business sector signifies that this sector is an important driver of the economy.[376]

To supplement the performance measures contained in the budget papers and reporting on the generic topics of workforce skilling, jobs, exports, investment and innovation, the Committee is of the view that as funding is provided to small business to generate program outcomes in these areas, the Government should develop specific measures and challenging targets to assess the contribution that small business has made as part of the wider business community.

In terms of target setting, the Committee observed in its *2003-04 Budget Outcomes* report that there were a number of measures where, although results substantially exceeded expectations, the departmental targets set for the following year were not made more challenging.[377] In response to the Committee's recommendation for the Department to review whether there was scope for making targets more challenging to reflect past performance,[378] the Government indicated that as part of the continuous improvement process, the Department would continue to analyse performance measures and targets to ensure they are responsive to the requirements of the Government and the reporting requirements of the Department of Treasury and Finance.[379] In view of the level of performance achieved in 2007-08 compared to targets, the Committee maintains that it would be timely for this area to be revisited by the Department. As stated by the Committee in its Report on the 2003-04 Budget Outcomes, the performance of an organisation can be misleading if the targets set are understated and do not keep pace with the results achieved in the previous year.

376 Hon.T.Theophanous, Minister for Small Business, 2007-08 Budget Estimates hearing, transcript of evidence, 4 May 2007, p.3

377 Public Accounts and Estimates Committee, Report on the 2003-04 Budget Outcomes, p.226

378 ibid., p.227

379 Government Reponses to the Recommendations of Public Accounts and Estimates Committee's 62nd Report on the 2003-04 Budget Outcomes, p.20

With specific reference to small business and programs designed to generate jobs in that sector, to enhance accountability for outcomes achieved in a particular year and facilitate analysis, the Committee maintains that the Department should gather information which stratifies the number of jobs created by firm size and per sector/industry in each year.

Recommendation 38: **Given that a key policy platform of the Government is to stimulate the economy and the role that small businesses play as a driver of the economy, the Department of Innovation, Industry and Regional Development develop a suite of performance measures that relate specifically to the effectiveness of small business programs in terms of the skilling of small business operators and the generation of jobs, exports, investment and innovation.**

Recommendation 39: **For the purpose of enhancing the concept of continuous improvement across agencies, the Department of Innovation, Industry and Regional Development examine whether there is scope for making its targets more challenging based on past performance.**

Recommendation 40: **The Department of Innovation, Industry and Regional Development gather information covering the small business sector which stratifies the number of jobs created by firm size and per sector/industry in each year.**

14.3.2 Skilling Victorians – outcomes from the development of education and training opportunities

The 2006 Ministerial Statement, *Maintaining the Advantage: Skilled Victorians,* outlined a $241.5 million, four year investment to develop education and training opportunities for Victorians. Through the statement, a range of policy reforms and investments are targeted at increasing productivity and workforce participation in Victoria's labour force.

The Statement indicated that as Victoria faces rising competition from increasingly skilled emerging economies, Victoria's workforce must increase its skills and competitiveness. As outlined in the Statement, there is a growing body of international evidence that demonstrates the link between educational attainment and the rate of productivity growth. According to the Government, the effectiveness of an education and training system can be measured in terms of how well it meets the new and emerging needs of individuals and businesses.

(a) Question

Please outline works undertaken against milestones, expenditure against budget and achievements to date for each of the major components of this major initiative. Please provide information on the tangible impacts of this investment on productivity and workforce participation in Victoria's labour force at the end of 2007-08.

Please also provide details of the role played by Skills Victoria in delivering these initiatives and the impact of the machinery of Government changes on the delivery of programs under *Maintaining the Advantage*.

Response

Achievements against milestones to date

- Three of the initiatives announced in *Maintaining the Advantage* (MTA) have been successfully completed, Establishing Skills Stores, Redefining the VET System and Careers in Manufacturing.
- Initiatives on track for successful completion consist of Expanding opportunities for young people (28 per cent above target), Guaranteed place for young people (8 per cent above target), Recognition of Prior Learning (RPL), Industry Skills Advisors (ISAs) and My Business, My People.
- Three initiatives that are tracking below targets at this point in time are Construction of four Technical Education Centres (TECs); Mature Age Priority Training which is 5 per cent below target[380]; and Higher Skills which is 3 per cent below target.
- It is expected that Berwick, Wangaratta and Heidelberg TECs will be built and operational by mid 2009, however the delay with the Ballarat TEC requires a re-assessment of the likely completion date. Delays in construction are being effectively managed with minimal impact on training as it is being delivered in temporary facilities.

Expenditure against budget to date

The previous table shows expenditure against budget for each of the major components of MTA. Over the last two financial years (2006-07 and 2007-08 combined) expenditure is tracking $21.2 million below budget. The largest area of under-spending is in the construction of the four TECs. This is to be expected given the delays associated with this initiative, as outlined in the previous section of this report.

[380] This initiative being 5 per cent below target relates to the actual number of training places delivered in the 2007 calendar year.

Table 14.2: Expenditure against budget to date for each of the major components of Maintaining the Advantage: Skilled Victorians

Initiative	2006-07 ($m)		2007-08 ($m)		Total ($m)		
	Budget	Actual	Budget	Actual	Budget	Actual	Difference
Guaranteed places in TAFE for young people	2.5	2.3	6.2	5.1	8.7	7.4	-1.3
Expanding opportunities for young people	8.0	7.5	8.2	6.8	16.2	14.3	-1.9
Technical Education Centres	8.0	2.6	16.0	2.6	24.0	5.2	-18.8
Mature-age priority Training	1.0	1.0	3.1	3.1	4.1	4.1	0.0
Industry Skills Advisers	1.5	0.5	0.5	0.9	2.0	1.4	-0.6
Higher Skills	9.6	9.4	10.6	9.1	20.2	18.5	-1.7
Expanding specialist training centres and networks	2.1	2.0	1.6	1.0	3.7	3.0	-0.7
Improving TAFE Equipment	12.0	12.0	12.0	11.7	24.0	23.7	-0.3
Establishing Skills Stores	2.8	2.8	5.2	9.2	8.0	12.0	+4.0
Providing more support for apprentices and trainees	1.0	1.0	1.0	1.0	2.0	2.0	0.0
Total	**48.5**	**41.1**	**64.4**	**50.5**	**112.9**	**91.6**	**-21.3**

Source: Department of Innovation, Industry and Regional Development, Response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p 28

Tangible impacts on productivity and workforce participation

Since the launch of MTA in 2006, the Victorian VET system has grown. This translates into an increase in the number of skilled, job ready Victorians ready to participate in the workforce. Key results for Victoria are summarised below:

- more than half a million students participated in the Victorian VET system in 2007 - 2.5 per cent more than in 2006;[381]
- almost 126 million student contact hours (SCHs) were delivered by the Victorian VET system in 2007. This is an increase of 8.3 per cent over 2006 when a total of 116 million SCHs were delivered;[382]
- figures reported by the National Centre for Vocational Education Research (NCVER) indicate that over the 12 months ended 30 June 2008, there was a 12 per cent increase in the uptake of apprenticeships within Victoria.[383] This trend is supported by Departmental data which shows that apprenticeship commencements grew by 14 per cent, driven primarily by greater numbers within the Building and Construction industry;

381 Skills Victoria student statistical data collection
382 ibid.
383 NCVER publication: Apprentices and Trainees June Quarter 2008

- the 2008 NCVER Student Outcomes Survey reports that in 2008, the proportion of graduates in Victoria gaining employment after training has climbed to 13.6 per cent - the highest since 2005, and is above the national average (12.5 per cent);[384] and
- the 2007 NCVER Employers Use and Views survey reports that 95.2 per cent of employers with apprentices/trainees in Victoria consider apprenticeships/traineeships as being important in meeting skills needs. This is the highest result amongst all states and territories, indicating the significance Victorian employers place on VET compared to other states. The national result for this measure was 91.1 per cent.[385]

Role played by Skills Victoria in delivering initiatives

Skills Victoria has actively participated in the implementation of all MTA initiatives since its inception. This includes purchasing VET places in priority areas (youth, mature-age and higher skills), managing campaigns (Redefining the VET system, Careers in Manufacturing), monitoring capital works projects (construction of TECs and specialist training centres), implementing initiatives (establishment of Skills Stores, apprenticeship field officers, reforming national training packages) and progressively allocating funding (improving TAFE equipment, Business Skills for the Future) as required.

Impact of machinery of government changes on delivery of initiatives

There has been negligible impact on the delivery of MTA programs and initiatives as a result of machinery of government changes.[386]

Committee comment

The Committee noted that the $32.0 million budget for the construction of the first four Technical Education Centres (Berwick, Wangaratta, Heidelberg and Ballarat) comprised $8.0 million in 2006-07, $16.0 million in 2007-08 and $8.0 million in 2008-09.[387] As capital works had not progressed according to plan with expenditure of only $5.2 million of the $24.0 million budget (or 21.7 per cent) being incurred in the first two years of the three year timeframe, rigorous project management processes will be needed in the final year to ensure that capital works are completed on time. The Committee is of the view that it is important that Technical Education Centres are constructed in a timely manner in order to create employment pathways for local students and addressing the issue of skill shortages in those communities.

With regard to enhancing workforce participation and increasing productivity, the Committee acknowledges the increase in the number of students and student contact hours delivered by the vocational and education training system in 2007 compared to the previous year. The increase in the number of skilled, job ready Victorians available to participate in the workforce is encouraging for the future. The Committee was interested to find, however, that in relation to students' employment outcomes, only 13.6 per cent of graduates had gained employment after training in 2008, albeit that this outcome was the highest since 2005 and was above the national average of 12.5 per cent. Victoria should strive for improved employment outcomes in this area.

384 NCVER publication: Student Outcomes Survey 2008

385 NCVER publication: Employers' use and views of the VET system 2007

386 Department of Innovation, Industry and Regional Development, response to the Committee's Financial and Performance Outcomes Questionnaire Part Two, received 17 February 2009, pp.27-29

387 Budget Paper No.3, *2006-07 Service Delivery*, p.293

The Committee was interested in examining the impact that the increased education and training opportunities has had on improving productivity. While an overwhelming proportion of employers with apprentices/trainees considered they were important in meeting skill needs, the Committee did not find any measures in place to demonstrate the impact of the increased training of apprentices on improving productivity. The Committee has recommended in the past that the Department of Treasury and Finance should disclose in the budget papers, specific productivity targets to be achieved as a result of the introduction of budget initiatives where considered appropriate, while departments should disclose in the budget papers key performance measures relating to productivity.[388]

Recommendation 41: **In relation to the establishment of Technical Education Centres for senior secondary students, the Department of Innovation, Industry and Regional Development take action to enable capital works to be completed in accordance with planned milestones.**

Recommendation 42: **To maximise student employment outcomes, the Department of Innovation, Industry and Regional Development explore avenues for increasing the employment of graduates from the vocational education and training system who were not employed before training.**

14.3.3 Brand Victoria initiative

(a) Question

Please provide details of all costs associated with the Brand Victoria initiative, including a year-on-year and program-by-program breakdown since inception.

Please detail the core objectives associated with the four key export sectors (Invest Victoria, Study Melbourne, Live in Melbourne and Visit Melbourne) and detail the impact of Brand Victoria on achieving these objectives.

Response

Approximately $2.4 million over four years was allocated to Brand Victoria as part of the 2007-08 State Budget. To facilitate establishment of the Brand Victoria Unit, funding was provided for the two previous years to the level reflected in the table below.

Table 14.3: Brand Victoria Unit Funding

Year	Salaries ($)	Marketing ($)	Total ($)
2005-06	154,000	118,000	**272,000**
2006-07	388,000	369,000	**757,000**
2007-08	348,000	163,000	**511,000**
2008-09 (budgeted)	352,000	277,000	**629,000**
Total	**1,242,000**	**927,000**	**2,169,000**

Source: Department of Innovation, Industry and Regional Development, Response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, pp.29-30.

388 Public Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates Part Three*, p.75

Brand Victoria is a service provider and therefore the majority of its expenditure is directed towards salaries, as reflected in the table. Major marketing activity and expenditure remains the responsibility of individual sectors. However, the Brand Victoria Unit does provide efficiencies for client agencies in areas such as photography, moving image and design. These make-up the majority of non-salary expenditure reflected in the above table.

The key objectives for Brand Services are to:

- promote Melbourne and Victoria as a desirable destination to live, visit, study and invest;
- be recognised as the primary contact point for any government agency or associated stakeholders involved in international marketing;
- set the quality benchmark for all marketing activities conducted under the Brand Victoria program; and
- maximise the effectiveness of all Brand Victoria marketing activities through better coordination and shared assets.

As a service provider, the impact the Unit has had on the above objectives can be measured in output rather than outcome terms. The achievement of the objectives is therefore reflected in the following:

- brand marks and style guides have been completed for the four core sectors i.e. education, skilled migration, investment and tourism;
- a Brand Victoria publication is currently being developed that can be used by all sectors to highlight Melbourne's strengths;
- greater consistency of brand through internationally televised events such as the Australian Tennis Open and Australian Grand Prix; and
- established online portals for the shared distribution of logos, images and templates.[389]

Committee comment

Comment by the Committee of the impact of branding on induced tourism is included in the Committee's May 2009 report titled 'Review of the findings and recommendations of the Auditor-General's reports – 2007 – State Investment in Major Events.'

14.4 Department of Planning and Community Development

14.4.1 Reduction in the regulatory burden for not-for-profit organisations

(a) Question

The Government has, through the Victorian Government's *Action Plan: Strengthening Community Organisations*, aimed for a reduction in the regulatory burden for not-for-profit organisations.

Please provide details of performance measures implemented for regulatory reduction, details of the reductions achieved and quantifiable success, based on feedback from targeted organisations.

How have these reductions increased the capacity of organisations to effectively deliver community development?

[389] Department of Innovation, Industry and Regional Development, response to the Committee's Financial and Performance Outcomes Questionnaire Part Two, pp.29-30

Response

In the 2008-09 Budget, the Victorian Government committed $13.87 million over four years to implement the Victorian Government's Action Plan: Strengthening Community Organisations.

The Action Plan features 25 actions aimed at strengthening the long-term sustainability of not-for-profit (NFP) community organisations. The 25 actions include a number dedicated to reducing the regulatory burden currently experienced by NFP community organisations.

Page 201 of the 2008-09 Budget Paper No. 3 states that an Office for the Community Sector will be established in the first quarter of 2008-09. This new office is responsible for implementing the Victorian Government's Action Plan: Strengthening Community Organisations in collaboration with other government departments and with the NFP sector.

Following the 2008-09 Budget announcements, the Office for the Community Sector has been established and commenced delivering on the commitments in the Action Plan including those relating to reducing the regulatory burden on NFP community organisations.

In line with the Government's Reducing the Regulatory Burden initiative, the Victorian Standard Cost Model will be used to measure those Action Plan activities aimed at reducing the regulatory burden on not-for-profit community organisations.

Assessment of the adequacy of the measurement of changes in the administrative burden of regulation will be undertaken by the Victorian Competition and Efficiency Commission's (VCEC), as per October 2006 amendment to Order in Council and described in the Treasurer's Reducing the Regulatory Burden 2007 – 08 Progress Report, November 2008.[390]

Committee comment

The examination of initiatives designed to reduce inefficient regulation that can inhibit economic activity is an issue that the Committee has pursued in previous reports and will continue into the future. This issue is of particular interest to the Committee in these economic times, given the role that the not-for-profit sector plays in providing community services that improve productivity and enhance public welfare.[391] Extending across a broad range of community areas that include aged care, children's services, the environment, social services, sport, education and the arts, the Committee notes that in 2005-06, the community and not-for-profit sector delivered around $2.2 billion in government services.[392]

The *Reducing the Regulatory Burden* initiative, which was announced in the 2006-07 Victorian Budget, committed Victoria to reduce the administrative burden of regulation on businesses and not-for-profit organisations by 15 per cent over three years ($154 million per annum by July 2009) and 25 per cent over five years ($256 million per annum by July 2011).[393]

With these targets in mind, the Committee notes that two years into the initiative, the Government has been able to achieve an estimated net reduction in the administrative burden of $162 million in 2007-08. Key initiatives that have contributed to this outcome centre on streamlining reporting processes and requirements ($85 million per annum) and legislative reviews and amendments ($53 million per annum).[394]

390 ibid.

391 Hon .J. Lenders, MP, Treasurer, *Reducing the Regulatory Burden, 2007-08 Progress Report*, Foreword

392 Victorian Government, *the Victorian Government's Action Plan: Strengthening Community Organisations,* April 2008, p.3

393 Department of Treasury and Finance, *Reducing the Regulatory Burden, 2007-08 Progress Repor*t, November 2008, pp.7-8

394 Hon. J. Lenders, MP, Treasurer, *Reducing the Regulatory Burden, 2007-08 Progress Report*, pp.7 and 10-11

The Committee understands that imposing undue administrative burden on the not-for-profit sector can deter community organisations from adapting to new methods and opportunities as well as diverting resources from key activities. However, in considering future options designed to reduce the regulatory burden and streamline interaction with government, the Committee believes that it will be important for the Government to be mindful of the need to responsibly balance administrative simplicity with the fundamental need for an adequate level of accountability and transparency. Achieving an appropriate balance and tradeoffs will depend on the how risk is apportioned for individual cases.

14.5 Department of Treasury and Finance

14.5.1 Water sector's capital expenditure program – increase in net debt levels to provide for growth

The Department of Treasury and Finance's financial statements for 2007-08 disclosed that a contingent liability in the form of *Guarantees for Loans to Water Industry Entities* increased from $3,188.3 million at 30 June 2007 to $3,999.5 million at 30 June 2008.[395]

(a) Question

Please outline the factors involved that caused the water industry to increase debt levels in the form of loan borrowings by 25.4 per cent in 2007-08.

What are the main regions of the State where water entities have had to engage in the highest level of borrowings and why?

Have increased borrowings and contingent liabilities impacted on the cost of funds to the state?

Response

The increase in net debt of the water sector during 2007-08 is primarily due to the increase in the sector's capital expenditure program. The increase in the capital expenditure program of the sector is substantially driven by the delivery of the State Water Plan, including capacity augmentation to provide for growth, and regulatory obligations.

In the metropolitan water sector, Melbourne Water's capital expenditure includes provision for the cost of construction of the Sugarloaf Interconnector (TEI $750 million), and its share of the capital cost of the Northern Sewer Project (TEI $650 million) (joint project with Yarra Valley Water).

The increase in Yarra Valley Water's capital expenditure is required to service the expansion of its network to service new growth, meet compliance obligations set by the Environment Protection Authority, the Northern Sewer Project (TEI $650 million), renewal of water and sewer mains and pressure reduction to reduce levels of burst and leaks.

In the regional water sector, net debt has increased to fund the Goldfields Superpipe Bendigo leg (TEI $71.8 million) and the Ballarat leg (TEI $178.7 million), the Wimmera Mallee Pipeline (TEI $688 million) and the Gippsland Water Factory (TEI $183.1million).

Borrowings and contingent liabilities have not impacted on the costs of funds to the State.[396]

395 Department of Treasury and Finance, *2007-08 Annual Report*, p.74

396 Department of Treasury and Finance, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two, received 20 March 2009, pp.5-6

14.5.2 Victoria's productivity and competitiveness

The Committee notes that an objective of the Department is to guide government actions to best increase living standards for all Victorians through the provision of innovative policy advice.[397]

A performance indicator outlined in the Department's 2007-08 Business Plan linked to this objective is for Victoria's productivity and competitiveness to increase.[398]

(a) Question

Please describe in quantitative terms how the Department fared against this performance indicator in 2007-08.

Response

Real Gross State Product (GSP) per employed person in Victoria grew by 0.5 per cent in 2007-08, and has increased overall since 2000-01 by 23.7 per cent.

The *Reducing Regulatory Burden* initiative has set targets for cutting unnecessary regulatory burden on businesses and not-for-profit organisations of 15 per cent by July 2009 and 25 per cent by July 2011. The Victorian Standard Cost Model has been developed to provide a transparent methodology for measuring changes in the burden. Progress towards achieving these targets is encouraging with (as stated earlier in this chapter) the net reduction in the administrative burden based on current initiatives estimated to be $162 million per annum since July 2006. These estimates confirm that Victoria is progressing towards achieving the three-year target of a $154 million per annum reduction in the administrative burden.

Good financial management has enabled the Government to fund its substantial infrastructure program and continues to provide much-needed services for the Victorian community, while maintaining a triple-A credit rating and State taxes at competitive levels. The strong income growth in 2007-08 also allowed the injection of additional cash funds into the State's superannuation schemes.

The government continues to provide a tax system that is competitive with other states, with taxation reform announced in both the 2007-08 and 2008-09 Budgets keeping Victoria's taxation revenue as a percentage of nominal GSP below that of New South Wales.[399]

14.5.3 Improving value for money from government services for optimising service delivery

An objective of the Department is to champion an integrated whole-of-government 'value for money' approach to ensure optimal service delivery and provision of world-class infrastructure to benefit all Victorians.[400]

A performance indicator outlined in the Department's 2007-08 Business Plan linked to this objective is for improved overall VFM from government services.[401]

(a) Question

Please outline key examples (up to 10) of where VFM has been achieved for Victorian taxpayers that demonstrate the performance of the Department in 2007-08 against this indicator.

397 Department of Treasury and Finance, *2007-08 Business plan*, p.1
398 ibid.
399 Department of Treasury and Finance, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two, received 20 March 2009, p.6
400 Department of Treasury and Finance, *2007-08 Business plan*, p.1
401 ibid.

Response

The Department has adopted a strategic approach to planning, establishing and managing whole of government contracts through State Purchase Contracts (SPCs). SPCs create additional value for public expenditure by judiciously aligning departmental requirements and aggregating purchasing demand. SPC's have been established for:

- travel services comprising all aspects of travel management services including discounts off published fares, bookings and ticket account management for domestic and international travel;
- fuel and associated products to all government departments and agencies;
- procurement of PCs and notebooks for the Whole of Victorian Government (WoVG), with benefits including:
  - bulk purchasing power;
  - centralised tendering;
  - stable computing platforms across WoVG; and
  - improved environmental management.

In addition, the Department manages the Victorian Office Telephony Services (VOTS) agreement allowing it to be operated as a network to standardise services and oversee the establishment of contracts with individual departments for WoVG. VOTS is the provision of managed office telephony services for the WoVG. The VOTS solution is a hybrid PABX that provides the capability for agencies to have a managed, internet protocol enabled, office telephony service at the desktop.

Furthermore, the Department manages Telecommunications Carriage Services (TCS). It reviews supplier performance and pricing at the WoVG level to ensure agencies are receiving the best possible prices and services. TCS was established on behalf of Victorian government departments, agencies and statutory authorities for the provision of Voice, Mobile and Data Carriage Services. The Department also refreshed the e-Services panel in 5 specialist Information and Communication Technology services categories providing improved service and rates on a WoVG basis.

The Department has also played a lead role in the area of public private partnerships by overseeing the delivery of well managed infrastructure projects, particularly in the vital areas of education, health and water. These projects are an example of the Department's commitment to a VFM approach to ensuring optimal service delivery and the provision of world class infrastructure to benefit all Victorians.

Through the *Partnerships Victoria* initiative, the Department has been influential in developing the Wonthaggi Desalination Water Plant strategy and launching the *Partnerships Victoria* schools project.

In supporting the Government's decision-making through budget and expenditure review processes, the Department is contributing to a whole of government approach to VFM and optimal service delivery for government services.[402]

[402] Department of Treasury and Finance, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two, received 20 March 2009, pp.7-8

Growing and linking all of Victoria

14.6 Regional Development Victoria

14.6.1 Aviation infrastructure improvements

(a) Question

The Regional Development Victoria (RDV) Annual Report identified as a highlight of the 2007-08 year, the aviation infrastructure improvements funded through the Regional Aviation Fund (RAF).

Please provide details of the history of the RAF since its inception.

For each project supported by the RAF, please identify the following:

- nature of the project;
- total allocation of funds;
- expenditure to date; and
- estimated completion date and key milestones.

Response

In 2006 the Victorian Government provided $5 million through the Regional Infrastructure Development Fund (RIDF) for a Regional Aviation Fund to upgrade regional airport infrastructure across Victoria.

This targeted funding program recognised the potential for regional airports to boost economic development in regional Victoria by catering for increased numbers of tourists and business travellers, while complementing the Government's broader commitment to improving regional infrastructure and assisting regional development and population growth.

Priority is given to projects that can demonstrate sustainable benefits to the local economy and community.

Eligible projects may include:

- upgrades or extensions to runways;
- levelling and/or strengthening of aprons;
- building or improving passenger terminal facilities;
- upgrading or relocating navigational aids and refuelling areas; and
- providing additional infrastructure such as car parking, drainage or landscaping.

Funding will be available over three years from 1 July 2007 as follows:

- total funds committed to the RAF to date: $5,000,000;
- total funds allocated to projects from the RAF: $2,783,000;
- total expenditure of funds from the RAF: $615,500; and
- success of projects against pre-established performance measures and RAF objectives.

Projects currently funded are all on track to meet their defined completion dates.

Table 14.3 Regional Aviation Fund Projects

Stawell Airport Upgrade Regional Aviation Fund	Upgrade runways, to accommodate a larger range of aircraft, relocate weather station, and improve public amenities, car park and lighting. Realign and improve internal access roads.	Estimated completion date: 31/12/2009	RIDF Grant: $950,000 Total Project Cost: $1,201,500 RIDF expenditure to date: $350,000
Yarrawonga Airport Upgrade Regional Aviation Fund	Construct passenger terminal and additional runway. Widen existing aircraft refuelling taxi lane and construct an additional sealed aircraft parking area.	Estimated completion date: 31/12/2009	RIDF Grant: $550,000 Total Project Cost: $810,000 RIDF expenditure to date: $0
Latrobe Airport Airpark Development Regional Aviation Fund	Provision of services to Village Avenue, creation of a new emergency access road and completion of sealing aircraft apron, relocation of power and water supplies. Development of 4 commercial allotments.	Estimated completion date: 08/05/2009	RIDF Grant: $492,000 Total Project Cost: $984,000 RIDF expenditure to date: $265,500
Mallacoota Airport Infrastructure Enhancement Regional Aviation Fund	Install pilot activated lighting. Seal runways, taxiways, aircraft apron. Install permanent refuelling facility and expand and improve terminal and facilities.	Estimated completion date: 31/12/2009	RIDF Grant: $791,000 Total Project Cost: $1,091,000 RIDF expenditure to date: $0

Source: Regional Development Victoria, Response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two, p.3.

Committee comment

The Committee noted that as of mid February 2009, no RIDF expenditure had been incurred on the Yarrawonga Airport Upgrade and the Mallacoota Airport Infrastructure Enhancement that were estimated to be completed by 31 December 2009. Progress on these projects will have to be closely monitored to ensure they are completed on time.

CHAPTER 15: QUALITY HEALTH AND EDUCATION

Key Findings of the Committee:

Quality health

15.1 **Patients treated in specialist outpatient clinics between 2003-04 and 2007-08 increased by 10.5 per cent from 1,131,019 to 1,249,777. According to advice provided to the Committee by the Department of Human Services, the development of performance indicators in regard to waiting times for outpatient services is under consideration. A number of activities are aimed at reducing waiting periods for access to outpatient appointments such as funding provided in the 2007-08 Budget for an extra 72,000 outpatient appointments over four years.**

15.2 **Based on information provided by the Department, elective surgery events increased by 5.3 per cent from 126,651 in 2003-04 to 133,369 in 2007-08. Over this period, admissions of Category One elective patients increased by 30 per cent from 26,328 in 2003-04 to 34,227 in 2007-08.**

15.3 **The Committee's analysis also shows that 3,011 Category One elective patients experienced hospital initiated postponements to their surgery in 2007-08. This is equivalent to 2.2 per cent of elective surgery events. This outcome represented an increase of only 57 hospital initiated postponements (1.9 per cent) over the prior year. Advice from the Department indicated that policies and processes are in place to manage such occurrences. The Committee observed, however, that the extent of postponements of Category One elective surgery increased markedly in certain hospitals.**

15.4 **Reasons for postponements of surgery for Category One elective patients during 2007-08 centred largely on patients being deemed unfit for surgery (2,037 situations), bookings brought forward (2,008) and patients postponing surgery (1,923). While in the minority, other reasons included the unavailability of surgeons (492 occasions), theatre overruns (270), ward beds being unavailable (250), critical care beds being unavailable (243), hospital staff being unavailable (138) and equipment not being available (106). The Committee believes such figures should be published on a regular basis.**

15.5 **The Victorian Budget for 2007-08 allocated $1.5 million ($5.8 million over four years) to support the agreement to grow Vocational and Education Training places by supporting 1,500 Division 2 nursing and 420 allied health support VET training places in Victoria. An additional 360 Certificate IV in Nursing (Division 2) places and 80 Certificate 111/IV in Allied Health Assistance training places were provided by June 2008.**

15.6 **The Department of Human Services did not spend within the financial year, $4.7 million (11.7 per cent) of the $40 million allocated through the budget for the Medical Equipment Replacement Program in 2007-08, given that a number of high cost specialised equipment items from overseas resulted in delays to installation timelines.**

15.7 The Department of Human Services provided a total of 10.29 million hours of home and community care (HACC) activities in 2007-08 against a target of 10.13 million hours. However, in terms of HACC allied health services, the Department achieved 84.3 per cent of the target for 2007-08 (446,718 hours compared to the target of 529,883). This result continues a pattern first noted by the Department in 2006-07 of persistent difficulty experienced by community health centres in recruiting allied health staff to fill vacancies. Rural regions appeared to have the most difficulty in hiring qualified staff.

15.8 The Committee noted that the Auditor-General recently reported on the topic *Access to Public Hospitals: Measuring Performance*. This report will be examined by the Committee as part of its program of regularly undertaking follow-up reviews of the findings and recommendations of Auditor-General's reports. In preparing its Report on Financial and Performance Outcomes for 2007-08, the Committee has relied on performance-related information provided by the Department of Human Services.

Quality education

15.9 In terms of enhancing accountability, there is room for improving the level of transparency over funding allocation decisions connected with the capital works program for schools.

15.10 The percentage of Year 5 Indigenous students reaching national benchmarks in numeracy for the 2007 calendar year of 75.4 per cent (subject to a measurement error of 4.6 per cent) was lower than the target of 85 per cent. A considerable improvement has been achieved in this measure for 2008 with 83.3 per cent of Year 5 Indigenous students (subject to a measurement error of 3.5 per cent) attaining a level at or above the national minimum standard. Other benchmarks for years 3 and 5 were exceeded.

15.11 Various characteristics of the Victorian overseas fee paying program brought to the Committee's notice are mentioned below:

- **revenue derived from the program increased by $4.4 million or 15.4 per cent in 2007-08 compared to the previous year;**
- **almost a third of overseas students (531) recruited into government schools in the 2007 calendar year were from China;**
- **schools that hosted the largest numbers of overseas students were predominately located in the eastern and south eastern suburbs of Melbourne; and**
- **various programs were in place to promote the social inclusion and welfare of overseas students. Examples included the option provided to overseas students to stay with a local family under a homestay arrangement and the provision of an orientation program when students begin at each school.**

15.12 With regard to the Department of Education and Early Childhood Development responding to more than 1,700 notifications of incidents and complaints about children's services in 2007-08, 68 were considered by the Department to be of a serious nature. The Department should monitor performance against benchmarks in this area in future.

15.13 There was a slight reduction in the extent of significant school fires in government schools in 2007-08 compared to the prior year (12 in 2006-07 compared to 10 in 2007-08). A range of fire prevention and health and safety strategies have been implemented at schools across the State, which included the conduct of security risk assessments and targeted security patrols at schools that were subjected to repeated incidents of vandalism, property damage and graffiti.

15.14 With nearly a quarter of young people in Years 6 and 8 measured as overweight and 7.4 per cent measured as obese, a range of initiatives are underway to help increase the level of healthy eating and physical activity among Victorian school students. The Committee believes that after the program evaluation work is completed, a consolidated report disclosing outcomes achieved from these initiatives would be useful.

15.15 With just under a third of students in Years 6 and 8 showing the presence of depressive symptoms, the Committee is of the view that a report should be published that draws together the impact that the various initiatives have had in addressing this issue.

Overview

15.1 Introduction

Quality Health and Education is the second *Growing Victoria Together* visions examined by the Committee in this year's *Financial and Performance Outcomes Report*.

15.2 Linkage of issues examined to the *Growing Victoria Together* visions

This chapter contains outcome-related comments pertaining to 14 issues categorised according to each relevant agency. As well as serving to enhance accountability, the Committee believes that this information will engender debate and provide a springboard for follow-up as part of the Committee's impending inquiry into the 2009-10 Budget Estimates.

The Committee asked a range of questions to departments and agencies in relation to the *Healthy Environment Vision*. These questions, and the relevant department or agency responses, are detailed in full, with supporting commentary from the Committee where it is deemed relevant. Issues selected by the Committee for examination aligned to the *Growing Victoria Together* goals cover the following topics:

High quality, accessible health and community services

- access to outpatient services;
- postponements and cancellations of elective surgery;
- vocational education and training places – nursing and allied staff;
- replacement of critical medical equipment;
- provision of individual support in home and community-based settings; and
- Melbourne Health – management of key challenges.

High quality education for lifelong learning

- accountability for funding allocation decisions made in respect of building, rebuilding and modernising schools under the Victorian Schools Plan;
- the percentage of Victorian primary school students achieving the national benchmark level in Year 3 writing and Year 5 numeracy – comparison between 2005, 2006 and 2007;
- 2007 national benchmark results for Indigenous students;
- overseas fee paying student program - demographics, revenue generation and program management
- children's services – incidents and complaints,[403]
- significant fires at government schools;
- Years 6 and 8 students measured as either overweight or obese; and
- depression among students in Years 6 and 8.

15.3 High quality, accessible health and community services

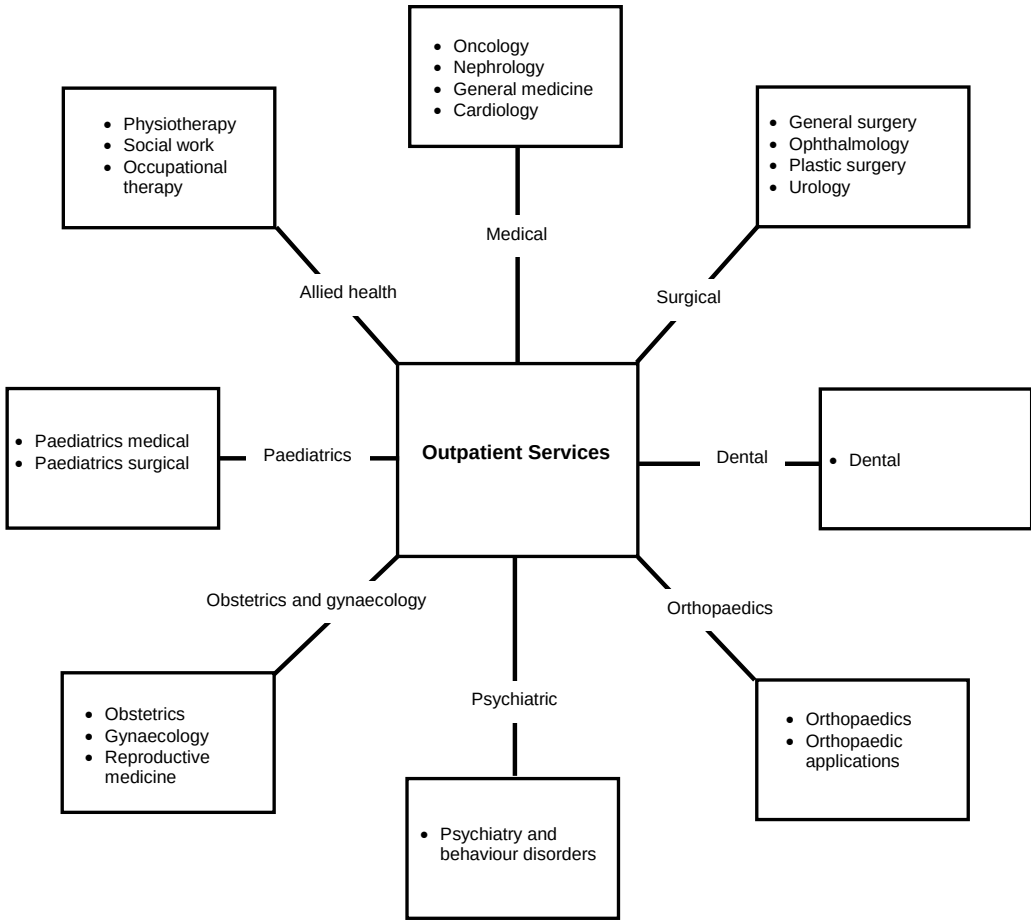
15.3.1 Access to outpatient services

Hospital outpatient services are provided to non-admitted patients and cover a range of services, including specialist medical care, allied health and diagnostic services. Outpatient services are one of the most common ways that patients come into contact with the health system. They are a source of free specialist medical treatment, provision of specialist assessment, consultations before admission to hospital, specialist management of chronic conditions, diagnostic tests, and care following discharge from hospital.[404] Figure 15.1 illustrates the major outpatient services provided in Victorian hospitals.

403 Note: prior to machinery of government changes that created the Department of Education and Early Childhood Development, issues relating to the wellbeing of young children were included in the previous outcomes report of the Committee under the Department of Human Services i.e the community services element of Growing Victoria Together was included under the broad umbrella of 'health' for reporting purposes to be consistent with the categorisation under the Growing Victoria Together publication

404 Auditor-General Victoria, Auditor-General's Report, *Access to specialist medical outpatient care*, June 2006, p.29

Figure 15.1: Major Victorian Outpatient Services



Source: Victoria Auditor-General, Auditor-General's Report, Access to specialist medical outpatient care, June 2006, p.29

Delays in accessing outpatient care have the potential to affect patient outcomes and demand on other areas of the hospital, especially if the patient's condition deteriorates before they have their outpatient appointment. Promptly diagnosing and treating medical conditions may prevent unnecessary inpatient admissions, reducing demand on health services generally and reducing associated health care costs.[405]

The Committee noted that the Auditor-General recently reported on the topic *Access to Public Hospitals: Measuring Performance*. This report will be examined by the Committee as part of its program of regularly undertaking follow-up reviews of the findings and recommendations of Auditor-General's reports. In preparing its *Report on the 2007-08 Financial and Performance Outcomes*, the Committee has relied on performance-related information provided by the Department of Human Services

[405] ibid., p.31

(a) Question

In terms of outpatient appointments, how many patients were waiting for an appointment at the end of December and June during 2007-08 compared to 2006-07?

Please provide a breakdown of outpatient appointments per year for the last five years together with the percentage changes form year to year as well as over the whole period.

Please provide a breakdown of the number of patients waiting for outpatient appointments at 30 June 2008 and 30 June 2007 for each hospital listed in the *Your Hospitals Report* (Appendix 1).

What was the average waiting time for patients waiting for outpatient appointments at 30 June 2008 and 30 June 2007 for each hospital listed in the *Your Hospitals Report*?

Response

The Department of Human Services (DHS) is examining the capability of current hospital systems to collect unit-record level data, including waiting times. Data definitions that have been agreed nationally are essential to the uniform treatment and classification of the waiting period. The Australian Health Care Agreement between the Commonwealth and Victoria requires both parties to work together to develop performance indicators, including waiting times, for access to services for admitted and non-admitted patient services. Currently, national collections consist of only aggregate attendance data by clinic; there are no agreed national definitions. The Department, Commonwealth and jurisdictions have been progressing development of unit record collections, however there is neither a National Minimum Data Set nor agreed definitions of waiting measures at this time.[406]

Budget Paper No.3 identifies the number of patients in specialist outpatient clinics in Victorian Ambulatory Classification System (VACS) hospitals. This constitutes a subset of all outpatient activity and provides an indicative view of outpatient encounter trend. The funding provided in the 2007-08 Budget was allocated for the whole system which also includes specialist appointments in non-VACS hospitals, and allied health services. Data on patients treated in VACS specialist outpatient clinics is outlined in Table 15.1.[407]

Table 15.2: Outpatient encounters 2003-04 to 2007-08

	2003-04	2004-05	2005-06	2006-07	2007-08
Patients treated in Specialist outpatient clinics	1,131,019	1,153,580	1,181,578	1,236,782	1,249,777
Annual change (%)		2.0	2.4	4.7	1.1
5 year period change (%)					10.5

Source: Department of Human Services, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire – Part Two, p.34

The department's health data collections do not currently include the collection of outpatient waiting data. Currently, national collections consist of only aggregate attendance data by clinic; there are no agreed national definitions.

406 Department of Human Services, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2009, p.33

407 ibid., pp.33-34

(b) Question

What strategies are in place to reduce the number of, and shorten the waiting time for, patients waiting for appointments at outpatient clinics attached to Victoria's public hospitals?

In terms of the Department's priority for 2007-08 to expand hospital outpatient services to support admitted services growth, how did the Department perform against its target to provide an additional 18,000 outpatient appointments by June 2008?[408]

How does the Department ensure that the waiting time experienced by patients for outpatient appointments has not had an adverse impact on their health outcomes?

Response

The Specialist Clinic Reform program has been working closely with hospitals over the last 2 years to improve access to outpatient appointments and reduce waiting times. Funding of $44 million was provided in the 2007-08 Budget for an extra 72,000 outpatient appointments over the subsequent four years and includes funding to health services to implement additional measures designed to reduce delays in accessing outpatient services. Activities underway to reduce and shorten waiting times include: improvement of referral processes; increase in the number of Medical Benefits Schedule (MBS) clinics; development of care pathways to address four key areas for high demand including maternity, orthopaedics, gastroenterology and urology; and the introduction of individualised appointments for patients.[409]

There were approximately an additional 13,000 patients in specialist outpatient clinics in Victorian Ambulatory Classification System (VACS) funded hospitals in 2007-08 compared to the previous year.

The Government is committed to further increase the range of specialist services available that do not require an overnight stay in hospital. These services include urgent care clinics, day hospitals, community rehabilitation and diagnostics services, as well as a range of specialist outpatient clinics, such as orthopaedics, endocrinology and cardiology.[410]

Access to outpatient services in Victoria is based on clinical need. Individual health services are responsible for ensuring that protocols and policies exist to make sure that patients are seen in outpatient departments according to their clinical need. General Practitioners (GP) also play a key role in this process by monitoring and referring patients and can provide information to the health service to allow prioritisation of appointments.[411]

Committee comment

In a report covering the topic *Access to specialist medical outpatient care*, the Auditor-General recommended in June 2006 that the Department of Human Services should develop a range of benchmarks to measure service delivery performance in outpatient services, including measures of access and timeliness. The Auditor-General also recommended that the Department's planned review of VACS should ensure, in part, that the activity target setting process takes into account the number of people waiting for outpatient care and the length of time they have waited.[412]

408 Department of Human Services, *Departmental Plan 2007-08*, p.26
409 Department of Human Services, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2009, p.34
410 ibid., p.34
411 ibid., pp.34-35
412 Auditor-General Victoria, Auditor-General's Report, *Access to specialist medical outpatient care*, June 2006, p.5

The Department's response indicated, in part, that consideration of benchmarks and performance indicators would be possible when unit-record level data was available and would be investigated as part of the Outpatient Services Review. However, the department considered that a performance indicator targeting access based on need for care would not be introduced easily, given the difficulty of achieving standard definitions of urgency of care.

The Department also stated that the VACS target setting process currently included review of hospital-provided information on demand for services. Implementation of unit record data collection would inform part of the target setting process by providing standardised data on the number of patients waiting for appointments and information on time waited.[413]

The Committee also notes in a recent Auditor-General's report titled *Access to Public Hospitals: Measuring Performance*, tabled on 1 April 2009, the Auditor-General calls for the Department to address the need to measure hospital performance in providing access to specialist outpatient appointments.[414]

While acknowledging that the Victorian Government provides detailed information on elective surgery activity, it is apparent that improvements could be made to the information collected and reported on outpatients waiting lists and times, prior to being placed on elective surgery waiting lists. The Committee notes that 1.2 million patients were treated in specialist outpatient clinics in 2007-08 (a 10.5 per cent increase on 2003-04).

The Committee encourages the Department to pursue with the Commonwealth the development of nationally agreed data definitions of 'waiting periods' that people are experiencing for outpatient appointments. A timetable should be established for the finalisation of performance indicators that provide information about the waiting times for access to non-admitted patient services, in the form of outpatient services, i.e. waiting times for outpatient appointments. Appropriate information recording systems within hospitals will need to be in place to ensure that data maintained in relation to outpatient waiting lists and waiting times to access hospital outpatient clinics is reliable.

Recommendation 43: **The Department of Human Services ensure that outpatient data covering waiting list numbers and times is maintained and disclosed in its report on Victoria's public hospitals. To provide a complete picture of outpatient encounter trends for all outpatient activity, this information include data on the whole system including specialist appointments in non-Victorian Ambulatory Classification System hospitals and allied health services.**

15.3.2 Postponements and cancellations of elective surgery

(a) Question

Please provide a breakdown of the surgery events by categories per year for the last five years together with percentage changes from year to year as well as over the whole period.

With regard to 'Hospital Initiated Postponements', how many *Category 1* patients had their surgeries cancelled or postponed during 2007-08 compared to 2006-07?

Please provide a breakdown of the number of *Category 1* patients that had their surgeries cancelled or postponed during 2007-08 compared to 2006-07 for each hospital listed in the *Your Hospitals Report* (Appendix 1).

In relation to *Category 1* patients that had encountered a 'Hospital Initiated Postponement' during 2007-08 and 2006-07, how many of these patients for each year had to wait for more than the 30 day benchmark for their surgery from the date of initially being recorded on the waiting list?

413 ibid., p.5

414 Victorian Auditor-General's Report, *Access to Public Hospitals: Measuring Performance*, April 2009, p.32

Please provide a breakdown for each hospital listed in the *Your Hospitals* Report of the number of *Category 1* patients that had their surgeries cancelled or postponed during 2007-08 and 2006-07 that had to wait for more than the 30 day benchmark for their surgery.

Response

Table 15.3: Elective surgery events 2003-04 to 2007-08

	Category 1	Category 2	Category 3	Total
2003-04	26,328	58,764	41,559	126,651
2004-05	27,495	59,643	42,072	129,210
2005-06	30,143	63,137	41,244	134,524
2006-07	32,313	62,906	36,450	131,669
2007-08	34,227	61,696	37,446	133,369
	Change from previous year (per cent)			
2004-05	4.4	1.5	1.2	2.0
2005-06	9.6	5.9	-2.0	4.1
2006-07	7.2	-0.4	-11.6	-2.1
2007-08	5.9	-1.9	2.7	1.3
5 year period change	30.0	5.0	-9.9	5.3

Source: Department of Human Services, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire – Part Two, p.35

The number of *Category 1* patients with 'Hospital Initiated Postponements' is shown below:

2006-07	2,954
2007-08	3,011

This is equivalent to 2.2 per cent of elective surgery events in 2007-08.

Surgery may be cancelled or postponed for a number of reasons relating to clinical issues, patient preparedness or deemed fitness for surgery, or where the patient has postponed or failed to attend for scheduled surgery.

All health services monitor hospital initiated postponement rates and have strategies to minimise these and give priority to those patients whose surgery has been previously postponed. These strategies include optimal scheduling of surgery in relation to theatre utilisation, emergency demand, staff and bed availability. *Category 1* elective surgery patients are the most complex patients requiring elective surgery and as such every effort is made to prioritise the scheduling of their surgery.

There was a small increase (57 or 1.9 per cent) overall in the number of elective surgery *Category 1* patients with hospital initiated postponements between 2006-07 and 2007-08. This occurred over a period during which there was an increase of 1,914 or 5.9 per cent in elective surgery *Category 1* patients admitted from the elective surgery waiting list compared to the previous year.[415]

Elective surgery *Category 1* patients with 'Hospital Initiated Postponements', as per the hospitals listed in *Your Hospitals* for 2006-07 and 2007-08, are shown in Table 15.4.

[415] Department of Human Services, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2009, p.36

Table 15.4: Elective Surgery Category 1 patients with Hospital Initiated Postponements 2006-07 and 2007-08

Hospital/health service	2006-07	2007-08	Variance (per cent) (a)
Angliss Hospital	12	12	-
Austin Health	323	558	72.8
Ballarat Health Services	42	71	69.0
Barwon Health	51	83	62.7
Bendigo Health Care Group	66	78	18.2
Box Hill Hospital	219	237	8.2
Casey Hospital	34	37	8.8
Dandenong Hospital	65	107	64.6
Frankston Hospital	41	73	78.0
Goulburn Valley Health	37	42	13.5
Latrobe Regional Hospital	11	27	145.5
Maroondah Hospital	133	84	-36.8
Mercy Hospital for Women	9	9	-
Mercy Public Werribee	0	3	na
Monash Medical Centre Clayton	116	169	45.7
Monash Medical Centre Moorabbin	103	82	-20.4
Royal Children's Hospital	181	179	-1.1
Royal Melbourne Hospital	699	507	-27.5
Royal Vic Eye and Ear Hospital	60	53	-11.7
Royal Women's Hospital	15	12	-20.0
Sandringham Hospital	21	6	-71.4
St Vincent's Hospital	66	87	31.8
Sunshine Hospital	58	44	-24.1
The Alfred	359	242	-32.6
The Northern Hospital	41	45	9.8
Wangaratta District Base	8	5	-37.5
West Gippsland Healthcare	5	12	140.0
Western Hospital	162	130	-19.8
Williamstown Hospital	17	17	-
Grand Total	**2,954**	**3,011**	**1.9**

Note: *(a) included by the Public Accounts and Estimates Committee*

Source: *Department of Human Services, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire – Part Two, pp.36-37*

(b) Question

What were the main reasons for the postponements of elective surgery for Category 1 patients that occurred during 2007-08 and 2006-07?

Response

In 2007-08 the data set for postponement reasons was enhanced to capture additional details. A transition phase occurred during 2007-08, where data was provided in both old and new code set formats. Please note that each 'Hospital Initiated Postponement' often has multiple, both patient and hospital initiated, reasons for postponement and that the main reason for postponement is not often specifically identified. Reasons for postponements of elective surgery for Category 1 patients in 2006-07 and 2007-08 are set out in Table 15.5.

Table 15.5: Reasons for Elective Surgery Postponements Category 1 patients 2006-07 and 2007-08

2006-07	Reason – description	Number	Proportion of total (per cent) (a)
	Hospital	2,287	23.2
	Patient	2,120	21.6
	Clinical	1,866	18.9
	Booking Brought Forward	1,615	16.4
	Administrative change before patient notification	1,191	12.1
	Surgeon	502	5.1
	Admission postponed, surgery date unchanged	270	2.7
	All Reasons	9,851	100.0
2007-08	**Reason – description**	**Number**	
	Booking brought forward	2,172	20.7
	Patient deemed unfit	2,037	19.4
	Patient has postponed	2,031	19.4
	Emergency priority	736	7.0
	Surgeon unavailable	492	4.7
	Elective priority	421	4.0
	Patient has failed to attend	373	3.6
	Admission postponed, surgery date unchanged	277	2.6
	Theatre over-run	270	2.6
	Ward bed unavailable	250	2.4
	Critical care bed unavailable	243	2.3
	Surgical unit initiated	240	2.3
	Clerical/Booking error	186	1.8
	Hospital staff unavailable	138	1.3
	Theatre overbooked	107	1.0
	Equipment unavailable	106	1.0
	Clinical	96	0.9
	Hospital	93	0.9
	Patient is unprepared	84	0.8
	Administrative change before patient notification	54	0.5
	Hospital/surgeon has not prepared patient	39	0.4
	Surgeon	25	0.2
	Admission postponed, surgery date unchanged	5	0.1
	All Reasons	10,475	100.0

Note: *(a) included by the Public Accounts and Estimates Committee*

Source: *Department of Human Services, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire – Part Two, pp.37-38*

(c) Question

What strategies are in place to reduce the extent of 'Hospital Initiated Postponements'?

Response

The *Elective Surgery Access Policy* (2006) provides health services with the guidelines for the management of 'Hospital Initiated Postponements'. The Policy states that 'all health services must monitor hospital initiated postponement rates, introduce strategies to minimise hospital initiated postponements and give priority to those patients whose surgery has been previously postponed'.

The Policy continues to define principles to be considered in minimising hospital initiated postponements. These include:

- scheduling of surgery to optimise theatre utilisation while anticipating emergency demand, bed availability and staff leave;
- minimising the number of postponements experienced by an individual patient; and
- preventing postponements of patients that are currently admitted, or have already arrived at the hospital.

Initiatives including liaison nurses and pre-admission clinics contribute to optimising the elective surgery patients prior to admission, and reduce the chance of day of surgery cancellations for patients that are not adequately prepared.

Improvement in the management of emergency surgery demand reduces the impact on elective surgery patients. During-hours emergency theatre capacity and Emergency Theatre Booking Systems both contribute to the health services capacity to manage emergency and elective demand. The Redesigning the Surgical Patient Journey demonstration project to be completed at three sites in 2009 will identify solutions to maximise operating resources.

The Department monitors all health services against a performance target of less than 8 hospital initiated postponements per 100 scheduled elective surgery admissions. This target is included within the Statement of Priorities agreed between the Minister for Health and the health service.

In 2007-08 the median time to treat urgent patients admitted from the elective surgery waiting list was seven days.[416]

(d) Question

How does the Department ensure that the cancellation or postponement of elective surgery for Category 1 patients has not had an adverse impact on their health outcomes?

Response

The scheduling of surgical patients, and any changes to the operating list, including postponements and cancellations, is conducted in consultation with the treating surgeon. As a consequence, patients identified as having an urgent clinical need will be prioritised by the surgeon. In addition, as the surgeon is responsible for the clinical care of the patient, any patient that is postponed or cancelled but unfit to be sent home will be admitted by the hospital.

[416] Department of Human Services, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2009, p.38

In 2006, the Department released the *Elective Surgery Access Policy* advising on the management of elective surgery patients in Victoria's public hospitals. The policy provided guidelines for the postponing of elective surgery patients, including information to be provided to the patient and support services to be made available. The policy also defines factors to be considered when determining which patient is to be postponed, including that patients of a lower clinical need should be postponed ahead of those of higher clinical need.

The policy states that in the event of cancellation or postponement of a *Category 1* patient, approval must be sought from a senior member of hospital administration, while the patient is to be ideally notified by a senior member of the surgical team. A *Category 1* patient must also be informed of a new admission date for their surgery at the time of postponement.

Upon postponement, the policy directs that the patient should have the opportunity to discuss with a doctor any medical issues that may arise as a result of the postponement of the surgery. In addition, with the patient's consent, the patient's general practitioner should be informed of the postponement and any significant issues relating to the patient's health that may arise as a consequence.

In Victoria, all *Category 1* patients are admitted within the recommended waiting time of 30 days. In 2007-08 the median time to admission was seven days.[417]

Committee Comment

The Committee noted that over the past five years, elective surgery events increased by 5.3 per cent from 126,651 in 2003-04 to 133,369 in 2007-08. Over this period, admissions of *Category 1* elective patients increased by 30 per cent from 26,328 in 2003-04 to 34,227 in 2007-08.

While acknowledging the increase in the admission of *Category 1* elective patients and that all urgent elective surgery patients were treated within the recommended waiting time of 30 days in 2007-08 with a median time to admission of seven days, the Committee's analysis also shows that 3,011 *Category 1* elective patients experienced hospital initiated postponements to their surgery in 2007-08. This outcome represented an increase of only 57 hospital initiated postponements (1.9 per cent) over the prior year and a one third rate of increase in surgeries. Advice from the department indicated that policies and processes are in place to manage such occurrences. However, the Committee observed that the extent of postponements of *Category 1* elective surgery increased markedly in certain hospitals.

For example, at Austin Health, Dandenong Hospital and Frankston Hospital, postponements increased by 72.8 per cent, 64.6 per cent and 78.0 per cent respectively between 2006-07 and 2007-08. Conversely, of the larger metropolitan hospitals, notable reductions in postponements were achieved over this period by the Alfred (32.6 per cent) and the Royal Melbourne Hospital (27.5 per cent). Reasons for postponements during 2007-08 centred largely on patients being deemed unfit for surgery (2,037 situations), bookings brought forward (2,008) and patients postponing surgery (1,923). While in the minority, other reasons included the unavailability of surgeons (492 occasions), theatre overruns (270), ward beds being unavailable (250), critical care beds being unavailable (243), hospital staff being unavailable (138) and equipment not being available (106). The Committee, however, has not compared these variations with those of surgery numbers at individual hospitals.

The Committee considers that it is essential for hospital initiated postponements of urgent elective surgery to be kept to an absolute minimum in order to promote the health related quality of life of patients, reduce the distress and inconvenience to patients (e.g. if patients have had to travel large distances to the hospital or taken time off work) and optimise the utilisation of operating theatres.

417 ibid., p.39

The Committee believes that:

- to improve disclosure of 'Hospital Initiated Postponement' performance, details relating to hospital initiated postponement rates should be included in the Government's *Your Hospitals report*, particularly in relation to *Category 1* patients, and how each health service has performed against the Department's performance target of 'less than 8 'Hospital Initiated Postponements' per 100 scheduled elective surgery admissions; and
- any relevant factors leading to major reductions in the postponement of operations for urgent elective surgery patients at well performing hospitals should be applied by hospitals where postponements have become more frequent.

Recommendation 44: **The Department of Human Services publish details relating to hospital initiated postponements of elective surgery in all patient categories, including *Category 1* urgent patients.**

Recommendation 45: **Examples of best practice initiatives or strategies employed in reducing hospital initiated postponements of elective surgery be applied by those health services exhibiting significant increases in the number of postponements.**

15.3.3 Vocational education and training places – nursing and allied staff

(a) Question

With regard to providing additional vocational education and training places for nursing and allied staff, how did the department perform in terms of meeting the following targets by June 2008:[418]

- the provision of 430 additional Division 2 nursing training places; and
- the provision of 70 additional allied health assistant training places?

If these targets were not achieved, please provide the reason(s)/contributing factors.

Response

An additional 360 Certificate IV in Nursing (Division 2) places and 80 Certificate III/IV in Allied Health Assistance training places were provided by June 2008.[419]

As part of a larger investment in the Victorian health workforce, in July 2006 the then-Premier announced that Victoria would provide 1,500 Division 2 nursing and 420 allied health assistance Vocational Education and Training (VET) places. Subsequent to that announcement, funding models employed by Skills Victoria changed and the rates payable for courses increased substantially. Additional funding was sought and obtained in 2007.

418 Department of Human Services, *Departmental Plan 2007-08*, p.25

419 Department of Human Services, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2009, p.40

The Health Training Package (HLT07) has been endorsed and both qualifications were revised. The new Certificate IV in Nursing (Division 2) qualification now includes a medicines administration component which has increased the nominal course hours from 850 to 1,018 hours. The HLT07 also now includes a Certificate IV in Allied Health Assistance (previously only a Certificate III existed) which has a greater number of nominal course hours. These events have increased the overall delivery cost and therefore decreased the number of additional training places that can be purchased with the funding available.

However, the recently announced reform to the Victorian VET sector is designed to move the VET system towards a demand-led approach, creating more flexibility. This model will provide the opportunity for the State Government to deliver additional places in areas of high workforce demand, including the Certificate IV in Nursing (Division 2) and the Certificate III/IV in Allied Health Assistance. By taking advantage of this new skills system, it should still be possible to achieve the initial target for additional training places announced in 2006.[420]

Committee Comment

The Committee noted that as part of the COAG Health Workforce Reform Initiative, the Victorian Budget for 2007-08 allocated $1.5 million ($5.8 million over four years) to support the agreement to grow Vocational and Education Training places by supporting 1,500 Division 2 nursing and 420 allied health support VET training places in Victoria.[421]

Given the reforms that have taken place in the Victorian VET sector, the Government will need to carefully monitor and report actual performance on a progressive basis against the targets established for the level of funding provided over the forward estimates in 2007-08 (i.e. 1,500 Division 2 nursing and 420 allied health training places).

Recommendation 46: **In terms of keeping track of performance against deliverable targets for funding that has been provided over the forward estimates period, the Government disclose, on a progressive basis, how it has performed in terms providing 1,500 Division 2 nursing and 420 allied health training places for the $5.8 million provided over the four year period to 2010-11.**

15.3.4 Replacement of critical medical equipment

(a) Question

With a desired outcome to provide safer health services, the Committee noted that a priority of the department for 2007-08 was for critical medical equipment to be replaced to reduce risks to patients, staff and service availability.[422] The 2007-08 Budget provided $145 million over four years ($40 million in 2007-08) for the Medical Equipment Replacement Program.[423]

In terms of the Department's target to replace critical medical equipment across the public health system by June 2008,[424] how has the Department performed against the specifics of what was planned to be achieved in 2007-08 according to the Medical Equipment Replacement Program?

Please provide a summary of how the $40 million allocated for 2007-08 has been spent by the Department.

420 ibid., pp.40-41
421 Department of Human Services, Victorian Budget 2007-08 Information Kit and Budget Paper No.3, 2007-08 *Service Delivery*, p.283
422 Department of Human Services, *Departmental Plan 2007-08*, p.29
423 Budget Paper No.3, 2007-08 Service Delivery, p.293
424 Department of Human Services, *Departmental Plan 2007-08*, p.29

Response

Working closely with health agencies, the medical equipment replacement program is targeted towards replacing highest priority high cost critical medical equipment items across Victoria. The program is specifically designed to replace high risk (i.e. category 1 and 2) items.

During 2007-08, the Department was allocated $40 million as part of the medical equipment replacement program. The total budget was fully committed to health agencies. In total, the Department funded over 270 submissions for medical equipment replacement, with 180 submissions received from metropolitan hospitals, and more than 90 submissions funded across rural Victoria.

The overall budget was allocated as follows:

- $27.3 million to replace items in metropolitan hospitals;
- $9.1 million for items in rural hospitals;
- $1.2 million to replace statewide public health items; and
- $2.4 million specifically allocated for a new linear accelerator at Austin Health.

As of the end of June 2008, the Department had expended $35.3 million of the total $40 million committed to health agencies. Full expenditure of the program was not achieved in the 2007-08 financial year as a number of the high cost specialised equipment items needed to be sourced from overseas, resulting in a delay to expected installation timelines.[425]

Committee comment

The Committee disclosed in its Report on the *2008-09 Budget Estimates Report, Part Three* that the Medical Equipment Replacement Program, with budgeted expenditure for 2008-09 totalling $145.0 million, formed the largest component of the Department's Asset Investment Program (10.4 per cent).[426] In terms of acquiring specialised medical equipment in a timely manner, the Committee agrees with the following advice prepared by the Victorian Government Procurement Group of the Department of Treasury and Finance:[427]

> *For government, good procurement means ensuring that business units are able to access the market for their needs in a timely, efficient, value-generating and appropriate way. There is no benefit in developing a complex process which satisfies a variety of process and control standards if it fails to deliver in a timely and efficient way.*

The Committee noted that the Department was not in a position to fully utilise $4.7 million (11.7 per cent) of the $40 million allocated through the Budget for the Medical Equipment Replacement Program in 2007-08, given that a number of high cost specialised equipment items from overseas resulted in delays to installation timelines.

To minimise any risk to patients, the Committee believes that every effort needs to be made to ensuring that specialised medical equipment sourced from overseas suppliers is received in a timely manner during the remaining three years of its program. Where overseas suppliers are involved, the framing of expected timelines needs to take into account possible delays that may eventuate due to the specialised nature of manufacture and distances involved, based on past experience. Consideration should also be given to developing contingency plans to minimise any risks to patient health that may be accentuated in the event of delays occurring in the procurement process for the final commissioning of specialised equipment.

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425 Department of Human Services, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2009, p.41

426 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates Part Three*, October 2008, p.72

427 Department of Treasury and Finance, Victorian Government Procurement Group, Department of Treasury and Finance, Information Paper, *Practitioners' Guide to Strategic Procurement (non-SPCs)*, June 2006, p.10

Recommendation 47: **To minimise any risks to patients due to untimely procurement processes, the Department of Human Services strive to ensure that medical equipment of a specialised nature is acquired in line with expected timelines. Forward order contracts could incorporate commercial terms for risks, penalties and incentives for timely delivery and commissioning.**

Recommendation 48: **In the event of delays occurring in the procurement process resulting in medical equipment not being acquired when planned, the Department of Human Services evaluate the risk of such equipment not being supplied on time in terms of patient health outcomes and develop contingency plans to address such risks.**

15.3.5 Provision of individual support in home and community-based settings

(a) Question

In terms of achieving the outcome of providing more individualised support in home and community-based settings, how did the Department actually perform compared to the target of providing 9.27 million hours of service to a total of 260,000 HACC clients by June 2008?[428]

If these targets were not achieved, please provide the reason(s) and any contributing factors.

Please provide a summary of the how the hours involved in providing HACC services in 2007-08:

- were allocated between the various services; and
- compared to budget/expectations (please also account for any variations of more than 10 per cent).

Response

The Home and Community Care (HACC) output target was achieved.

In 2007-08, according to the HACC minimum data set (MDS), a total of 10.29 million hours of service were reported by agencies delivering the range of activities that corresponded to the Budget Paper No.3 target. The count includes the basic range of unit-priced activities measured in hours, but excludes hours attributable to Linkages packages, the number of delivered meals and non-unit priced activities. The target of 9.27 million hours did not include the target of 735,000 hours set for Small Rural Health Services. The combined target for HACC general and small rural HACC services was 10.01 million hours.

Against the target of 260,000 HACC clients in 2007-08, the final outcome for 2007-08 was 256,162 clients. This calculation followed the MDS data resubmission period and data cleansing process, and was based on a revised method introduced to conform to Commonwealth reporting requirements. It excludes anonymous client records.

If the revised counting method is applied retrospectively to the 2006-07 outcome, it can be seen that there was a growth in client numbers of about 1.4 per cent.

The mix of service types corresponding to these hours of service is shown in Table 15.6.

428 Department of Human Services, *Departmental Plan 2007-08*, p.30

Table 15.6: Home and Community Care activities output compared to target for service types 2007-08

Chart of accounts activity name	Target output (Total units including FYE 2007-08)	Actual outputs units from all funding sources	% of target achieved
HACC Allied health	529,883	446,718	84.3
HACC Domestic Assistance	2,576,502	2,577,654	100.0
HACC Nursing	1,188,654	1,221,063	102.7
HACC Personal Care	1,044,854	1,001,865	95.9
HACC Planned Activity Group - Core	2,217,843	2,349,405	105.9
HACC Planned Activity Group - High	1,569,442	1,682,850	107.2
HACC Property Maintenance	269,832	254,671	94.4
HACC Respite	730,057	753,460	103.2
Total	**10,127,067**	**10,287,686**	**101.6**

Source: Department of Human Services, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire – Part Two, pp.42-43

The target of 10.127 million hours in column 2 is a little higher than the Budget Paper target as it reflects the result of negotiations with funded agencies in July 2007. In column 3, the actual outputs reported via the HACC minimum data set include hours of service attributable to the Commonwealth/State matched grant, the additional unmatched State funding, and any own-source contribution made by service providers such local councils.

All outputs were within 10 per cent of target, except for allied health services.

The statewide result in hours of allied health continues a pattern first noted in 2006-07 of persistent difficulty for community health centres in recruiting allied health staff to fill vacancies and meet unmet demand due to competition for allied health professionals becoming tougher with the Commonwealth's change in the rules that now make MBS reimbursement available to private practitioners. In some cases, the difficulty is in recruiting part-time staff. Rural regions appear to have the most trouble in hiring qualified staff.[429]

Committee comment

The Committee encourages the Department to develop a human resource recruitment strategy that targets the recruitment of qualified allied health practitioners to community health centres in order to assist in meeting HACC output targets. The Committee suggests that it may be worthwhile for the Department to survey community health centres with a view to identifying:

- workforce shortages;
- challenges experienced in recruiting and retaining allied health staff; and
- innovative solutions to address these challenges such as contracting services to off-site providers, increasing overtime or providing more allied health training programs.

Recommendation 49: **With a view to addressing allied health workforce shortages, the Department of Human Services develop a human resource recruitment strategy aimed at filling vacancies in community health centres.**

[429] Department of Human Services, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire – Part Two, received 25 February 2009, p.43

15.4 Melbourne Health

15.4.1 Management of key challenges

(a) Question

According to the Chairman's Report to Melbourne Health's Annual Report, 2007-08 had been a challenging year.[430]

Please provide a summary of the key challenges in relation to achieving government policy outcomes in quality health that were experienced by Melbourne Health in 2007-08.

How were each of these challenges addressed?

Response

The Melbourne Health Board and Executive Management identified three key focus areas for the 2007 Financial Year. They were to:

- improve access to Melbourne Health services – reduce waiting lists and meet increasing demand and acuity;
- undertake $56.2 million capital works program, which included completion of the shared retail precinct associated with the relocated Royal Women's Hospital and the new RMH front entrance as well as the redevelopment of the RMH Emergency Department; and
- improve Melbourne Health's financial position.

During the year Melbourne Health, in meeting these challenges, continued to provide high quality clinical services in the context of increasing demand, higher acuity and significant capital works.

Increased demand and acuity are summarized below in Table 15.7.

Table 15.7: Melbourne Health activity indicators 2007-08 compared to 2006-07

Item	Change	2006-07	2007-08	Variance (Number)	Variance (per cent)
WIES(a)	Increased	63,171	66,097	2,926	4.6
Multiday Separations (total including sub-acute and mental health)	Increased	31,346	33,554	2,208	7.0
Emergency Department presentations	Increased	54,873	55,423	550	1.0
Emergency Admissions	Increased	13,595	14,251	656	4.8
Category 1, 2, 3 Emergency Department patients	Increased	26,680	29,633	2,953	11.1
Emergency Department arrivals by ambulance	Increased	17,965	18,903	938	5.2
Outpatient occasions of service (includes acute, subacute and mental health)	Increased	629,976	660,587	30,611	4.8
Trauma admissions	Increased	2,399	2,487	88	3.7
Total elective waiting list admission	Increased	6,987	7,498	511	7.3

Notes: *(a) WIES: Weighted Inlier Equivalent Separation*

Source: *Melbourne Health, Response to the Committee 2007-08 Financial and Performance Outcomes Questionnaire – Part Two, pp.1-2*

[430] Melbourne Health, *Annual Report 2007-08*, p.2

The key to Melbourne Health's achievements during the financial year has been the high level of employee involvement across all improvement areas. The groundwork for this higher level of involvement was laid through the Melbourne Health cultural change program where around 500 staff representing all levels and disciplines developed the organisation's values and behaviours through a series of workshops and focus groups.

Supporting this staff engagement has been a structured approach to improvement activities.

Access:

The Melbourne Health Improvement Program is a whole of organisation strategy to achieve sustainable, systematic changes across outpatient, emergency and elective services, sub-acute and community-based care, involving staff from appropriate clinical areas in identifying and implementing improved processes and systems. This program was a silver winner of the Victorian Public Healthcare Awards.

A total of 24 improvement streams were identified to address patient flow. Examples of improvement projects include:

- changes to the theatre templates to optimise theatre flows;
- improved flows through diagnostic services;
- the Orthopaedic surgery waitlist project;
- improved flows through Emergency care; and
- improving care management for inpatients.

Clinical standards were maintained as evidenced by achieving four year ACHS Accreditation in December 2007.

Capital Works:

The State Government has funded significant capital works at The Royal Melbourne Hospital City Campus, including the $56 million Emergency Department redevelopment, retail precinct and front entry and the brick rectification project. This capital works activity affected a number of areas of the hospital, including significant noise issues and temporary relocation of staff and services (in particular, the Emergency Department).

While the capital works caused some inconvenience to staff, patients and visitors, this was minimised and disruption to services was avoided by:

- formulating clear communication strategies;
- developing close working relationships between capital works, infrastructure staff and the clinical programs; and
- achieving a high degree of cooperation and commitment of staff to provide high quality clinical services in temporary accommodation.

Financial position:

Improving the Melbourne Health budget deficit for the year ended 30 June 2007 of $13,328,000 presented a significant challenge. Through improved financial management, the organisation was able to reduce the deficit to $641,000 for the year ended 30 June 2008.

Again, staff were involved in identifying opportunities to maximise revenue opportunities and achieve savings across clinical and non-clinical areas. Improved financial processes, such as the introduction of the FMIS-Oracle system, helped to achieve this as did improved reporting and monitoring systems.[431]

Further details are contained in Chapter 19 (Vibrant Democracy) of this report.

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[431] Melbourne Health, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 18 February 2009, pp.1-3

High quality education for lifelong learning

15.5 Department of Education and Early Childhood Development

15.5.1 The Victorian Schools Plan – allocation of funding among schools

The Department's annual report for 2007-08 indicates that it is on track with the delivery of the Victorian School's Plan, which has a target of 500 schools to be built, rebuilt or modernised by 2011. The State Budget for 2007-08 funded the first stage of the plan, which involved 131 schools receiving funding.[432]

The Committee noted that in relation to the substantive basis for the initial funding commitment of $1.8 billion to rebuild or reconstruct 500 schools by 2011, the Auditor-General reported to Parliament in November 2008 that his Office did not find documentation within the Department that adequately explained the basis for selecting schools for inclusion in the 2007-2011 phase of the Victorian Schools Plan and that there were many anomalies that could not be explained from the available information.[433]

(a) Question

Please provide a schedule that identifies:

- each of the schools that received funding in 2007-08;
- the funding allocation to each school;
- the basis on which they were selected; and
- the planned date when each school will be opened or modernisation completed.

In a broader sense, please explain the criteria used to prioritise building projects for those schools included in the 2007-2011 phase of the Victorian Schools Plan.

Response

Table 15.8 shows the schools that received funding in 2007-08 for school modernisation and completion dates.

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432 Department of Education and Early Childhood Development, *Annual Report 2007-08*, pp.6 and 48

433 Victorian Auditor-General, *School Buildings: Planning, Maintenance and Renewal, November 2008*, pp.35-36

Table 15.8: Schools modernisation program 2007-08

School	$	Date
Ballarat Secondary College	5,633,000	28/04/09
Beaconsfield Upper Primary School	1,523,000	21/07/08
Beechworth Secondary College	5,153,000	14/11/08
Bentleigh Secondary College	6,233,000	20/11/08
Bentleigh West Primary School	6,153,000	01/04/09
Black Hill Primary School	3,013,000	21/12/08
Box Hill High School	5,763,000	11/02/08
Brauer Secondary College	1,593,000	28/04/08
Buckley Park College	5,003,000	12/01/09
Caroline Springs College Brookside	4,933,000	28/11/08
Carranballac P-9 College Boardwalk	6,973,000	20/11/08
Coburg Senior High School	3,095,000	16/12/08
Cranbourne West Primary School	5,083,000	05/12/08
Drouin Primary School	2,000,000	01/12/09
Drouin Secondary College	1,930,000	01/05/08
East Doncaster Secondary College	6,393,000	18/12/08
Echuca College	5,278,000	04/08/09
Elsternwick Primary School	4,373,000	20/11/08
Euroa Secondary College	3,903,000	22/01/09
Geelong South Primary School	2,120,000	15/12/08
Gladesville Primary School	2,813,000	18/07/08
Glendal Primary School	5,660,000	06/10/08
Greenhills Primary School	4,553,000	05/09/08
Inverleigh Primary School	1,153,000	10/11/08
Kent Park Primary School	4,043,000	12/02/09
Kinglake West Primary School	3,163,000	20/11/08
Kurnai College	4,303,000	25/06/09
Macclesfield Primary School	3,193,000	09/12/08
McClelland Secondary College	5,565,000	23/03/09
Mill Park Primary School	4,433,000	13/11/08
Mount Waverley Primary School	6,343,000	15/09/09
New Gisborne Primary School	2,873,000	22/09/08
North Melbourne Primary School	2,153,000	26/05/09
North Shore Primary School	2,910,000	24/11/08
Oberon High School	1,783,000	04/02/09
Parkdale Secondary College	8,913,000	05/03/09
Point Lonsdale Primary School	4,063,000	15/09/08
Roberts McCubbin Primary School	6,192,000	04/05/09
Sale College Macalister campus	953,000	04/04/08
Tate Street Primary School	1,540,000	30/09/08
Torquay P-9 College	6,613,000	30/01/09
Upwey High School	4,360,000	29/07/09
Vermont Secondary College	6,103,000	18/11/09
Werribee Secondary College	6,760,000	15/01/10

Source: Department of Education and Early Childhood Development, Response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.11

The schools funded under this program in 2007-08 are:

Table 15.9: Better Schools today program 2007-08

School	$
Stawell West Primary School	500,000
Mount Clear Primary School	480,000
Collingwood English Language School	500,000
Merri Creek Primary School	500,000
Fairfield Primary School	500,000
Northcote Primary School	500,000
Carlton North Primary School	500,000
Puckapunyal Primary School	400,000
Tallangatta Primary School	400,000
Katandra West Primary School	400,000
Nangiloc Colignan Primary School	300,000
Castlemaine North Primary School	300,000
Maldon Primary School	300,000
Carrum Downs Primary School	400,000
Valkstone Primary School	500,000
Black Rock Primary School	500,000
Belvedere Primary School	400,000
Mentone Park Primary School	400,000
Toorak Primary School	500,000
Altona North Primary School	400,000
Essendon North Primary School	500,000
South Yarra Primary School	500,000
Woodville Primary School	500,000
Derrinallum College (P-12)	500,000
Skipton Primary School	350,000
Simpson Primary School	450,000
Cann River P-12 College	400,000
East Gippsland Specialist School	500,000
Swan Reach Primary School	400,000
Clifton Creek Primary School	400,000
The Basin Primary School	400,000
Monbulk Primary School	500,000
Gruyere Primary School	500,000
Scoresby Primary School	400,000
Glenferrie Primary School	500,000
Orchard Grove Primary School	500,000
Doncaster Gardens Primary School	500,000
Ripponlea Primary School	500,000
Stonnington Primary School	500,000
St Kilda Primary School	500,000

Source: Department of Education and Early Childhood Development, response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.12.

Table 15.10: New Schools

School	$	Date
Berwick Chase Primary School	$7,850,000	23/01/09
Caroline Springs College Springside P-9 Campus	$7,850,000	21/03/09
Laurimar Primary School	$4,850,000	21/03/09
Manor Lakes P-12 Specialist College	$6,900,000	22/01/09
Mount Ridley P-12 College	$7,850,000	01/03/09
Pakenham Lakeside Primary School	$7,850,000	03/03/09
Point Cook Senior Secondary College	$6,850,000	30/07/09

Source: Department of Education and Early Childhood Development, response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.13.

Specialist schools

$10 million has been allocated to the Maribyrnong Secondary College to complete its transformation into a specialist sports school. $1 million is earmarked for planning work on new select entry schools. This project is due for completion 31 August 2009. A further $35 million has been allocated to purchase land to build other new schools.

Table 15.11: Replacement schools

School	$	Date
Albert Park College	30,000,000	30/10/10
Grevillea Park Primary School	3,300,000	20/06/08
Monash Special Developmental School	2,700,000	28/11/08
Skene Street School Stawell	5,000,000	18/12/09

Source: Department of Education and Early Childhood Development, response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.13.

Table 15.12: Small rural schools

School	$	Date
Drouin West Primary School	2,000,000	12/05/09
Harcourt Valley Primary School	2,000,000	21/08/09
Lethbridge Primary School	2,000,000	21/08/09
Mooroopna North Primary School	2,500,000	21/08/09
Toora Primary School	2,000,000	21/08/09
Trentham District Primary School	2,500,000	21/08/09

Source: Department of Education and Early Childhood Development, response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.13.

Table 15.13: Regeneration schools

School	$	Date
Altona Secondary College	6,210,000	28/04/09
Bayside P-12 College	6,250,000	04/02/09
Crusoe 7-10 Secondary College (Bendigo)	10,000,000	21/07/09
Eaglehawk Secondary College (Bendigo)	10,000,000	21/05/09
Broadmeadows (Blair Street)	11,415,000	27/05/09
Broadmeadows (Dimboola Road)	10,400,000	14/09/09
Colac college	5,000,000	16/01/09
Dandenong High School	9,970,000	13/03/09
Laverton Secondary College	5,660,000	30/04/09
Wangaratta High School	4,630,000	16/02/09
Western Heights Secondary	13,770,000	02/12/10

Source: Department of Education and Early Childhood Development, response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.13.

Science rooms and technical wings

An amount of $50 million was committed over five years to build 30 new technical wings in secondary schools and modernise equipment in all others. The locations of the technical wings have yet to be identified. Funding of $3.3 million was allocated for 16 new science rooms at six schools in 2007-08, with a further 47 science rooms being refurbished as part of modernisation, regeneration, new and replacement school projects.

The schools identified in the Victorian Schools Plan (VSP) are given the highest priority by the Department for intake into the Building Futures application process. Key categories for schools identified in the VSP are:

- modernisations (including science classrooms, technical wings, regeneration programs and special schools);
- new schools in growth areas;
- schools excelling in specialist areas (selective entry schools, Science schools and sports schools, Science and Maths Specialist Centres);
- rural replacement schools; and
- relocatable classrooms (does not proceed through the Building Futures process).

Identification of schools within the different program categories is based on different needs.

In 2007 the Government announced the Better Schools Today Program. This program provides funding between $300,000 and $500,000 for each school requiring modernisation and a smaller upgrade. In 2007, 40 schools received this funding and in 2008, 70 schools received this funding. These schools are identified through regional nominations.

Prioritisation for funding for construction of projects which are fully planned at Building Futures Stage 4 is undertaken as part of the annual Budget process.[434]

[434] Department of Education and Early Childhood Development, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire

Committee comment

The Committee maintains that the basis for resource allocation decisions associated with major funding initiatives, particularly those that involve numerous recipients, should be fully transparent. In applying this concept, in order to be able to be accountable for the prioritisation of funding requests for schools to be built, rebuilt or modernised, the Department should develop a set of criteria that encompasses the differing needs of schools for inclusion in the 2007-11 phase of the Victorian Schools Plan.

15.5.2 Percentage of Victorian primary school students achieving the national benchmark level in Year 3 writing and Year 5 numeracy – comparison between 2005, 2006 and 2007

(a) Question

Although exceeding the national average, what are the implications (if any) of the reduction over the past three years in the percentage of Victorian primary school students achieving the: [435]

- national benchmark level in Year 3 writing (97.5 per cent, 2005; 96.6 per cent, 2006; 94.1 per cent, 2007); and
- national benchmark level in Year 5 numeracy (95.4 per cent, 2005; 94.9 per cent, 2006; 91.5 per cent, 2007)?

Response

National benchmark data are subject to measurement error which has not been included in the data quoted in the question.

In respect of Year 3 writing the data are as follows:

- 97.5 per cent (+0.1 per cent) 2005
- 96.6 per cent (+0.5 per cent) 2006
- 94.1 per cent (+1.2 per cent) 2007.

When measurement error is taken into account, there is a statistical difference of 0.3 of a percentage point between 2005 and 2006, and 0.8 of percentage point between 2007 and 2006.

In respect of Year 5 numeracy, the data are as follows:

- 95.4 per cent (+0.7 per cent) 2005
- 94.9 per cent (+0.9 per cent) 2006
- 91.5 per cent (+1.3 per cent) 2007.

When measurement error is taken in to account, there is no statistical difference between 2005 and 2006, and 1.2 of a percentage point between 2007 and 2006.

The changes in these data sets across the three year period do not support an interpretation of a detrimental performance.

[435] Department of Education and Early Childhood Development, *Annual Report 2007-08,* p.18

Committee comment

The Victorian Auditor-General found in his recent examination of literacy and numeracy achievement in Victoria's government schools that the Government had made a substantial commitment to improving literacy and numeracy, investing $1.2 billion in initiatives over the past six years. However, the Department's efforts between 1998 and 2007 had not resulted in a marked improvement across age groups.[436]

The Auditor-General found that, although improvements were more noticeable for students in their early years, these gains were not sustainable as they progressed through schooling. Students generally performed less well in numeracy than in literacy, with average student performance often further below the expected level, and with fewer improving trends apparent.[437]

As reported by the Auditor-General, given that the Department expected improvements in literacy and numeracy achievements resulting from its actions since 2003 would commence to emerge by 2008, the Committee will be interested in monitoring outcomes in this area in future.[438]

In examining this issue, the Committee acknowledges the findings contained in a National Report on Schooling in Australia 2008 titled *The National Assessment Program Literacy and Numeracy, Achievement in /Reading, Writing, Language, Conventions and Numeracy* prepared by the Ministerial Council on Education, Employment Training and Youth Affairs (MCEETYA) that relate to Victoria. MCEETYA found that in relation to Year 9 students:[439]

> *Between 87 and 94 per cent (Writing and Numeracy, respectively) of Australian students are estimated to be working at or above the national minimum standard. As was the case for Years 3, 5 and 7, the percentage of students estimated to be working at or above the national minimum standard is greatest for Victoria, New South Wales and the Australian Capital Territory.*

15.5.3 National benchmark results for Indigenous students for 2007

(a) Question

Given that according to the Department's annual report, the final 2007 national benchmark results were not released at the time of submission to Department of Treasury and Finance, what were the actual results for the 2007 calendar year for the performance measures relating to Indigenous students.[440] Please comment on any of the above targets that were not achieved.

436 Victorian Auditor-General's Report, *Literacy and Numeracy Achievement*, February 2009, pp.2, 76-77
437 ibid., pp.31
438 ibid., p.2
439 Ministerial Council on Education, Employment, Training and Youth Affairs, *National Assessment Program Literacy and Numeracy, Achievement in Reading, Writing, Language Conventions and Numeracy*, 19 December 2008, p.202
440 Department of Education and Early Childhood Development, *Annual Report 2007-08*, pp.22-23

Response

Table 15.14: Performance measures relating to Indigenous students

	Target (per cent)	Actual (per cent)
Percentage of Year 3 Indigenous students reaching national benchmarks in Reading	74	86.1
Percentage of Year 3 Indigenous students reaching national benchmarks in Numeracy	82	88.5
Percentage of Year 5 Indigenous students reaching national benchmarks in Reading	75	79.9
Percentage of Year 5 Indigenous students reaching national benchmarks in Numeracy	85	75.4

Source: Department of Education and Early Childhood Development, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two

As can be seen from the above table, the target for the performance measure *Percentage of Year 5 Indigenous students reaching national benchmarks in Numeracy* was not achieved. The result (75.4 per cent) is subject to a measurement error of 4.6 per cent. As such, the result could be as high as approximately 80 per cent. Data for Indigenous students in Victoria are volatile and, because of the small size of the cohort, are subject to cohort effects.

From 2008, the National Assessment Program for Literacy and Numeracy (NAPLAN) was introduced and Koori results will need to be closely monitored.[441]

Committee comment

The Committee was encouraged to find that according to MCEETYA's National Report on Schooling in Australia 2008, a considerable improvement had been achieved in this measure for 2008 with 83.3 per cent of Year 5 Indigenous students (subject to a measurement error of 3.5 per cent) attaining a level at or above the national minimum standard for numeracy in that year.[442]

15.5.4 Overseas fee paying student program – demographics, revenue generation and program management

(a) Question

In terms of the 1,699 overseas students recruited to study in Victorian government schools in the 2007 calendar year, compared to the target of 1,000,[443] please provide a breakdown of:

- the students per major countries of residence (please list the top five); and
- the students categorised according to the Victorian government schools where they were enrolled (please list the top 20 schools).

Please outline the revenue derived from the overseas fee-paying student program in Victorian government schools during 2007-08 compared to the previous financial year.

441 Department of Education and Early Childhood Development. Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 30 January 2009

442 Ministerial Council on Education, Employment, Training and Youth Affairs, *National Assessment Program Literacy and Numeracy, Achievement in Reading, Writing, Language Conventions and Numeracy*, 19 December 2008, p.90

443 Department of Education and Early Childhood Development, *Annual Report 2007-08*, p.28

What programs are in place to promote the social inclusion and welfare of overseas students, thereby ensuring that international students feel part of the wider society?

Response

The top five countries of residence of the students recruited into Victorian government schools in the 2007 calendar year were:

Table 15.15: International students, country of residence

Country	Number of Students
China	531
Vietnam	224
Korea	211
Japan	64
Germany	62

Source: Department of Education and Early Childhood Development, Response to the committee's Financial and Performance Outcomes Questionnaire - Part Two, p.18

The top 20 Victorian government schools with commencing international students in 2007 were:

Table 15.16: Number of International students commencing in 2007

School	No.
Hawthorn Secondary College	60
Brighton Secondary College	59
Northcote High School	58
Sandringham College	44
Box Hill High School	38
Balwyn High School	33
Kew High School	30
Wellington Secondary College	30
Doncaster Secondary College	29
Glen Waverley Secondary College	28
Melbourne Girls College	27
Elwood College	27
Mount Eliza Secondary College	25
Westall Secondary College	25
East Doncaster Secondary College	24
Frankston High School	23
Wantirna College	23
Braybrook College	22
Brentwood Secondary College	21
Templestowe College	21

Source: Department of Education and Early Childhood Development, Response to theCcommittee's Financial and Performance Outcomes Questionnaire - Part Two, p.18-19

Revenue from the overseas fee paying student program in 2007-08 was $32,792,831 compared with $28,426,287 in 2006-07.

A range of programs are in place to promote the social inclusion and welfare of overseas students.

A feature of the Victorian Government Schools Program is that overseas students over the age of 15 may choose to stay with a local family under a homestay arrangement. These students stay in a family home and are cared for by a local family, participate in the family's social, sporting, and cultural activities. For these students, the opportunity to live with a local family is a highly valued aspect of the program.

The Department has welfare responsibility for students who are in homestay and has rigorous policies, procedures and quality standards to ensure the appropriate selection of families, monitoring of the homestay and ongoing support to the students and the homestay families.

The schools which host overseas students are required to provide a comprehensive orientation program when the student begins at that school. The orientation program is designed to promote the student's successful adjustment to living in the local community and studying at the host school.

Each school has a designated International Student Coordinator (ISC), who reports to a principal class officer. The ISC and principal class officer actively support students throughout their enrolment, ensuring that their welfare, social inclusion and academic issues are sustained. The schools help the students to develop social and community networks and personal friendships within the school community.

The Department has detailed policies, procedures and quality standards to which all schools with fee paying overseas students must adhere. The policies, procedures and Quality Standards are designed to ensure full compliance by the Department with the Commonwealth Government's *Education Services for Overseas Students Act 2000* and migration regulations.[444]

Committee comment

The Committee noted that revenue derived from the overseas paying student program increased by $4,366,544 or 15.4 per cent between 2006-07 and 2007-08. In terms of areas for potential revenue expansion, this is an area that may need to be considered for the future.

The Committee noted that:

- the largest number of students recruited into Victorian government schools in the 2007 calendar year were from China (531 students or almost a third of the total recruited); 137 per cent higher than Vietnam, the next highest country of destination (224 students); and
- the vast majority of Victorian government schools that hosted the largest numbers of international students were located in the eastern and south eastern suburbs of Melbourne of Hawthorn, Brighton, Sandringham, Box Hill, Balwyn, Kew, Doncaster, East Doncaster and Templestowe.

15.5.5 Children's services – incidents and complaints

(a) Question

With regard to licensing and regulating children's services, the Department's annual report for 2007-08 discloses that a response was made to more than 1,700 notifications of incidents and complaints about children's services.[445]

Please categorise these incidents and complaints according to main groupings.

Of the 1,700 notifications, how many would be regarded by the Department to be serious in nature?

Please describe the action taken in broad terms to address those incidents and complaints that needed to be actioned.

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444 Department of Education and Early Childhood Development. Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 30 January 2009

445 Department of Education and Early Childhood Development, *Annual Report 2007-08*, p.34

Response

The top five groupings relate to:

- Section 26 of the *Children's Services Act 1996*, which refers to protecting children from hazards likely to cause injury;
- Section 27 of the *Children's Services Act 1996*, which refers to inadequate supervision of children;
- Regulation 28 of the Children's Services Regulations 1998, which refers to educational or recreational programs;
- Regulation 24 of the Children's Services Regulations 1998, which specifies child/staff ratios; and
- Regulation 51 of the Children's Services Regulations 1998, which directs how and in what time frame complaints must be dealt with and responded to by a proprietor of a children's service.

Of the notifications, 68 were considered as serious in nature (Priority 1 – incidents).

Priority 1 non-compliances are those which place children at risk of serious harm or where a child or children have been seriously harmed. Investigation must commence and service inspected within two working days of the incident occurring.

All notifications of incidents and complaints to the Department where the health, safety or wellbeing of a child may have been compromised or there may have been a contravention of the *Children's Services Act 1996* or the *Children's Services Regulations 1998* are investigated.

In most cases, the investigation involves an inspection of the children's service by the Department and may also involve interviewing relevant people and seizing evidence from the service.

Where there has been a contravention of the *Children's Services Act 1996* or *Children's Services Regulations 1998*, the Department will take appropriate action.

Licensees are required to rectify the non-compliances and report to the Department action that has been taken.

The Department may also conduct further unannounced inspections of the service at any time during the service's hours of operation, increase monitoring of the service, caution or prosecute the service, or place additional conditions on the service licence.[446]

Committee comment

With departmental responses being made to more than 1,700 notifications of incidents or complaints about children's services in 2007-08, the Committee maintains that the Department should develop benchmarks from other similar jurisdictions and monitor the acceptability of performance on an ongoing basis. Action taken in this regard would enable the Department to assess whether the number of incidents or complaints notified in a particular year, especially those of a serious nature, is excessive, thereby warranting policies and procedures relating to the licensing and regulation of children's services to be examined and amended if necessary.

Recommendation 50: **In order for the Department of Education and Early Childhood Development to assess whether the extent of incidents or complaints about children's services in a given year is excessive, thereby calling for policy shifts to occur or procedures to be amended, the Department monitor performance against appropriate benchmarks in this area.**

[446] Department of Education and Early Childhood Development, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 30 January 2009

15.5.6 Significant fires at government schools

(a) Question

The Committee noted that there were 10 significant school fires during 2007-08, with structural and replacement costs estimated at approximately $3.1 million.[447]

Please provide:

- a listing of these 10 schools;
- the estimated costs involved for each school;
- the cause of each fire (if known), including whether the fire was deliberately lit;
- details of whether any legal action has been taken in response to any of the damage caused by the fires;
- details of whether any of the particular schools had a history of fires or vandalism; and
- a description of whether as a result, any new safeguards or preventative action has been taken by the Department to guard against the risk of damage to schools caused by fires in the future.

Response

Table 15.17: Fire damage to Victorian schools 2007-08

Schools	Dates	$	Cause	History of Criminal Activity
Bethal Primary School	7/07/2007	500,000	Unknown	Wheelie Bin Fire - January 2008
Kingsley Park Primary School	24/8/2007	400,000	Arson	2 Wheelie Bin Fires - July 2007 Burglary - February 2008 11 Vandalism Reports – January to June 2008
Belgrave South Primary School	27/01/2008	100,000	Accidental	1 Graffiti Report - April 2008 1 Vandalism Report - May 2008
Fairhills High School	24/11/2007	500,000	Arson	2 Vandalism Reports - December 2007 1 Vandalism Report - June 2008 5 Burglaries - Nov 2007 - June 2008
Hume Central Secondary College	28/1/2008	100,000	Arson	2 Burglaries - February 2008 and May 2008
Bentleigh Secondary College	10/2/2008	100,000	Unknown	4 Burglaries - September 2007 to May 2008
Tempy Primary School (School Residence)	4/03/2008	150,000	Not Determined	No Activity
Apollo Parkways Primary School	31/1/2008	1,000,000	Accidental	2 Burglaries – January 2008 and April 2008
Craigieburn Primary School	17/5/2008	200,000	Unknown	3 Burglaries - July 2007 to March 2008 2 Vandalism Reports - October 2007 and April 2008
Traralgon College - East Campus	1/6/2008	100,000	Arson	No Activity

Source: Department of Education and Early Childhood Development, Response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.21

The Department has taken no legal action in response to any of the damages caused by the fire incidents.

[447] Department of Education and Early Childhood Development, *Annual Report 2007-08*, p.48

The Department continues to provide professional advice and support to schools across the State regarding fire prevention and health and safety strategies including:

- the *Securing Your School* booklet, which provides schools with practical information for securing schools and minimizing criminal damage, was issued in June 2008;
- a Bushfire Safety Checklist for schools in fire prone areas and is updated and re-issued prior to each fire season;
- improvements to the security systems to schools across the State;
- security risk assessments conducted at 109 schools during 2007-08;
- targeted security patrols introduced to schools which were subjected to repeated incidents of vandalism, property damage and graffiti. These schools are also considered as high risk for arson attack - patrols commenced in November 2007;
- support for schools to ensure that fire prevention and risk management strategies are implemented, including the priorities of managing and securing wheelie/dumpster/rubbish bins and inspecting the underfloor of school buildings, particularly relocatable classrooms and the removal of all debris;
- the Fire Mains Upgrade Program which is an ongoing program involving the testing of several systems in schools and the repair or re-construction of fire mains and hydrants;
- electronic tracking of essential services through the Schools Maintenance System which assists schools in the maintenance of fire protection and other essential services; and
- audit (currently underway) of all Essential Safety Measures for all Victorian government schools including fire prevention systems. [448]

Committee comment

Continuing the Committee's interest in the issue of fire safety at Victoria's government schools, the Committee noted that in comparison to the advent of 12 significant school fires that took place in 2006-07, which caused approximately $3.2 million damage,[449] 10 significant school fires occurred during 2007-08 necessitating around $3.1 million to be incurred in terms of structural and replacement costs.

It was of interest to the Committee that only a slight reduction in significant school fires was achieved in 2007-08, despite a number of fire prevention and health and safety strategies continuing to be in place.

The Committee observed that, based on the information provided by the Department relating to schools where a significant fire had taken place, invariably other forms of criminal activity had taken place such as vandalism and burglaries. It for this reason the Committee fully supports the action outlined by the Department for targeted security patrols to be introduced at those schools that have a history of criminal activity and pose a high risk for arson attack.

[448] Department of Education and Early Childhood Development, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 30 January 2009

[449] Public Accounts and Estimates Committee, *Report on the 2006-07 Financial and Performance Outcomes*, May 2008, p.533

15.5.7 Years 6 and 8 students measured as either overweight or obese

(a) Question

The Committee noted that according to the Department's 2007 annual report: *The State of Victoria's Young People,* nearly a quarter (23.7 per cent) of young people (in Years 6 and 8) were measured as being overweight and 7.4 per cent were measured as being obese.[450] According to the report, Years 6 and 8 students from lower socioeconomic groups in the Healthy Neighbourhoods School Survey had higher rates of overweight and obesity.[451]

What initiatives were taken by the Department in conjunction with other agencies in 2007-08 or are planned for the future to address this issue?

What measures are in place to assess the effectiveness of government programs in this area?

Response

The Department is an active participant in the Whole of Government *'Go for your life'* initiative which aims to increase the levels of healthy eating and physical activity of all Victorians. The Department implements a number of initiatives in school settings to help increase the level of healthy eating and physical activity of Victorian school students. These initiatives are the Healthy Canteen Kit, Free Fruit Friday, Healthy Start in Schools Grants and the Kitchen Garden Project with Stephanie Alexander. The Department also contributes to collaborative work with other *'Go for your life'* initiatives such as *Kids – 'Go for your life'.*

450 Department of Education and Early Childhood Development, *Annual Report 2007-08*, p.48

451 Department of Education and Early Childhood Development and the Department of Planning and Community Development, *The State of Victoria's young people; A report on how Victorian young people aged 12-24 are faring*, 27 August 2007

Table 15.18: *'Go for your life'* initiatives in Victorian schools 2007-08

Initiative	Description	Budget 2007-08	Planned for the future
Healthy Canteen Kit	Resource to assist schools develop healthy canteens and other food services - The Kit includes: School Canteens and Other School Food Services Policy Food Planner Getting Started Canteen manual Curriculum material Posters	Nil	Release of support materials for the banning of confectionery from school food services from 2009
Healthy Canteen Advisory Service	Supports Victorian primary schools provide a nutritious and safe food service consistent with the Australian Dietary Guidelines. The Department works collaboratively with the service provider.	Department of Human Services (DHS) funding	Service continues until June 2010 DHS funding 2007-10 : $0.42million
Kitchen Garden Project with Stephanie Alexander	Supports 42 projects involving 46 primary schools to establish and maintain a kitchen garden program. Selected projects receive up to $62,500 funding over two years to allow them to establish a garden, a kitchen and an area where children can share a meal.	$0.475 million	Phase 1 schools funded 2007-08 Phase 2 schools funded 2009-10 2008-09: $0.75 million 2009-10: $0.5 million Total funding of $2.425million for Phase 1 and Phase 2 over four years. Department of Education and Early Childhood Development (DEECD) funding for two additional schools in Phase 2: 2008-09: $75,000 2009-10: $50,000
Healthy Start in Schools Grants	Grants of up to $6,000 to approximately 585 primary schools across Victoria, to provide resources and build capacity to respond to opportunities to promote healthy eating and physical activity.	$1.020 million	2008/09: $750,000 2009/10: $960,000
Free Fruit Friday	Initiative to boost fruit and vegetable consumption by young Victorians and to establish a lifetime of healthier eating. Schools receive grants to purchase fresh fruit and vegetables for Prep -Year 2 students each school week.	$1.600 million	2008-09: $2.7 million 2009-10 - $3.3 million 2010-11 - $3.5 million Total of $11.1 million over four years

Table 15.18: *'Go for your life'* initiatives in Victorian schools 2007-08

Initiative	Description	Budget 2007-08	Planned for the future
Kids – '*Go for your life'*	*Kids - 'Go for your life'* is a State-wide program designed to reduce risk of overweight and obesity in children aged 0-12 years. The focus is on children in early childcare services and primary schools. Schools/services can register as a member of *Kids - 'Go for your life'* and work progressively towards achieving an award, which seeks to encourage the development of supportive environments for increasing healthy eating and physical activity.	DHS funding	Total of $2.82 million over three years Evaluation funding to go to The Cancer Council for evaluation of Phase 2 of *Kids 'Go for your life'* 2007-10 $0.18 million
Mandated times for Physical and Sport Education in government schools	Schools are required to undertake mandated time requirements for physical and sport education by providing: 20-30 minutes per day of physical education for students in Years Prep-3 3 hours per week of physical and sport education with at least 50 per cent being the physical education component for student in Years 4-6 A minimum of 100 minutes each week of physical education and a minimum of 100 minutes each week of timetabled sport for students in Years 7-10.	Nil	Indefinite

Source: Department of Education and Early Childhood Development, Response to theCcommittee's Financial and Performance Outcomes Questionnaire - Part Two, pp.24-25

The effectiveness of programs in this area is being measured in a number of different ways. Overall, an Evaluation Framework for health promotion projects has been established through the *'Go for your life'* Secretariat located in the Department of Human Services. A review of *'Go for your life'* interim performance monitoring arrangements is being undertaken with the goal of working towards developing common indicators to be used across Departments.

School Compliance Checklist (Department of Education and Early Childhood Development internal reporting). This tool requires schools to self report annually against a number of items regarding implementation of Victorian government policies relating to healthy eating and physical activity. These items:

- Adhere to mandated time requirements for physical and sport education (as outlined in the response for Question 4.8 (a) above)
- In adhering to the School Canteen and Other School Food Services Policy -
  - provides a healthy school food service consistent with the school canteens and other schools food services policy;
  - does not supply high sugar content soft drinks; and
  - is phasing out the sale of confectionery.

This data is provided to program areas and the Department's regional offices for information and action. Questions on the checklist will be updated to reflect the ban on confectionery from 2009.

'Go for your life' - The Kitchen Garden Project with Stephanie Alexander

Evaluation is being undertaken by The McCaughey Centre at the University of Melbourne.

Kids – 'Go for your life

An evaluation of the whole program is being undertaken. Planning is also underway to evaluate the effectiveness of the Healthy Start in Schools and Free Fruit Friday grants programs.[452]

Committee comment

Given the wide range of initiatives in place in school settings to assist in increasing the level of healthy eating and physical activity of Victorian school students and measurement activities designed to measure effectiveness of programs in this area, the Committee is of the view that a consolidated report should be issued that records the impact of this activity on reducing the extent of young people in Years 6 and 8 being measured as overweight or obese.

Recommendation 51: **The Department of Education and Early Childhood Development publish a consolidated report card that discloses the impact that its strategies, aimed at encouraging healthy eating and physical activity among Victorian school students, have had on reducing the extent of young people (in Years 6 and 8) who are overweight or obese.**

[452] Department of Education and Early Childhood Development. Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire

15.5.8 Depressive symptoms among students in Years 6 and 8

(a) Question

The Committee noted that according to the Department's 2007 annual report: *The State of Victoria's Young People*, just under a third of students in Years 6 and 8 (29.8 per cent) scored more than seven on the depression scale, indicating the presence of depressive symptoms of concern.[453]

What initiatives were taken by the Department in conjunction with other agencies in 2007-08 or are planned for the future to address this issue?

What measures are in place to assess the effectiveness of government programs in this area?

Response

Initiatives taken by the Department are set out in the following table.

[453] Department of Education and Early Childhood Development and the Department of Planning and Community Development, *The State of Victoria's young people; A report on how Victorian young people aged 12-24 are faring*, 27 August 2007

Table 15.19: Government initiatives to address depression amongst Victorian School Students 2007-08

Initiative	Description	Budget 2007-08	Planned for the future
Safe Schools are Effective Schools	In 2006 the Department developed the 'Safe Schools are Effective Schools' anti-bullying policy in line with its commitment to provide safe, secure and stimulating environments for all students. The policy includes a definition of bullying; an anti-bullying policy; key characteristics of safe and effective schools; strategies for schools including case studies of good practice schools; and strategies for parents dealing with bullying incidents. By the conclusion of Term 2, 2008 all schools were required to have developed a Student Code of Conduct in alignment with the Safe Schools are Effective Schools anti-bullying strategy.	Nil	The Department is planning to promote the 'Safe Schools are Effective Schools' anti-bullying policy as part of the K-12 media campaign at the beginning of the 2009 school year.
School Wide Positive Behaviour Support	School Wide Positive Behaviour Support (PBS) is a process for creating safer and more effective schools. Rather than a prescribed program, PBS provides systems for schools to design, implement and evaluate effective school-wide, classroom, non-classroom and student specific discipline plans to support positive student behaviour. PBS has been piloted extensively both internationally and in other states in Australia and is based on a large body of evidence in support of the approach. Due to the strong evidence base for PBS, the Department trialled the approach in eight specialist schools during 2007-08 as the first phase of the PBS initiative. An evaluation has been completed which indicated PBS was having a positive impact on student behaviour and provided the evidence for further phases of piloting.	Nil	As a consequence of the PBS Phase One evaluation, the Phase Two initiative has been implemented, including the expansion of PBS into 15 varying schools across three regions during 2008-09. This will be evaluated during late 2009.
Student Support Services Officers	Student Support Services Officers (SSSOs) comprise psychologists, guidance counsellors, speech pathologists, social workers and visiting teachers. The Student Support Services Program was established to support the wellbeing of students with additional learning or wellbeing needs and to strengthen schools' capacity to keep students connected to education.	Nil	The program is currently being strengthened to provide a greater emphasis on targeted support for students who need additional support to achieve successful learning and wellbeing outcomes. In line with this, strengthening other services providing support partnerships to children and families, including child and adolescent mental health services, will be a significant focus in order to provide enhanced early intervention and intervention support to children and young people at risk of developing mental health issues.

Table 15.19: Government initiatives to address depression amongst Victorian School Students 2007-08

Initiative	Description	Budget 2007-08	Planned for the future
			Each Departmental region will develop a Regional Implementation Plan outlining how each component of the strengthened model will be put into place and the timelines for actions to occur. While Regional Implementation Plans will be developed by 1 March 2009, these plans will continue to be further developed and refined over time by regions as planning progresses.
Primary Welfare Officers (PWO)	This initiative supports students who are at risk of disconnecting from school and not achieving strong outcomes in literacy, numeracy and participation in learning. The introduction of the initiative to primary schools will extend work currently undertaken in schools to promote a safe and secure environment and enhance student outcomes. The first phase of the PWO initiative ceased in 2007, but PWO's are being funded until the end of 2010-11.	$80 million over four years for 256 PWO's to support 573 schools.	Primary Welfare Officer allocations in the Schools Resource Package have been agreed for the period 2008-2010.
Mind Matters	Mind Matters is a national mental health initiative which is used by Victorian schools to promote mental health with a whole-school focus. It was evaluated positively in 2006.	Nil	Mind Matters is continuing to be utilised in schools across Victoria
Kids Matter	The Kids Matter initiative is a national program aimed at improving the mental health and wellbeing of primary school students. The pilot phase commenced in 2006 and finished in 2008. In Victoria, 20 schools participated.	Nil	During 2009, in a staged process, the Kids Matter Consortium will seek to jointly develop ways of supporting full implementation in more schools. The Department will be involved in discussions regarding an appropriate strategy.
Mental Health Reform	The Department is involved with the current Whole of Government Mental Health Reforms. Departmental representatives participate in various working parties to plan the implementation of appropriate initiatives.	Nil	The Department will continue to participate in cross-Government activities regarding mental health issues focus on children and families.

Source: Department of Education and Early Childhood Development, Response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, pp.27-29

All student wellbeing and health support programs are evaluated on an 'as needed' basis in order to determine their continued efficacy. As a result of this ongoing review process, policies relating to student wellbeing, including mental health issues, are refined and updated. This reflects the Department's strong commitment to an evidence based policy.

As outlined in the *Blueprint for Education and Early Childhood Development*, the Department is also committed to improving the mental health of children and young people in its forward agenda.

Mind Matters and Kids Matter

In instances where the Department utilises and promotes external programs or materials related to mental health, it ensures that this material is based on best practice and a solid evidence base. The *Mind Matters* and *Kids Matter* materials are key examples of the Department utilising external programs based on this requirement.

Positive Behaviour Support

The next phase of the initiative, which is implementation in 15 schools, will be evaluated to ensure that it is consistent with the current evidence base.

Student Support Services Officers

The Student Support Services Officers reforms currently underway will more fully integrate mental health strategies into the work performed by the Student Support Service Officers. The new service delivery approach and associated improvements to the program will ensure an increase in the timeliness, responsiveness and targeting of support services to schools. This is consistent with the *Blueprint for Education and Early Childhood Development* which articulates a new vision for Victorian education and early childhood development over the next five years based on four key priorities:

- increase access to high quality early childhood health, education and care services;
- strengthen public confidence in a world class school education system, with a strong and vibrant government school sector at its core;
- integrate services for children and families; and
- improve outcomes for disadvantaged young Victorians.

Attitudes to School Survey and Drug Education, Evaluation and Monitoring Surveys.

The Department also undertakes annual surveys to determine the attitudes of students, teachers and parents towards the school environment. These surveys are:

- The Attitudes to Schools Survey which is aimed at students aged from Years 5-12 to assist schools gain an understanding of students and parents attitudes towards wellbeing, school in general and teaching and learning. Questions examine students' morale, distress levels, student relationships and the classroom learning experience. The resulting data is provided on a gender and year level basis in order for schools to more fully understand the interventions required at particular year levels, and whether an intervention should be gender specific.
- The Drug Education Evaluation and Monitoring surveys comprise teacher and student surveys and provide data to assist schools evaluate, benchmark and monitor their drug education programs. The surveys cover student wellbeing and drug education matters and ask questions in relation to how student's feel about school, parental involvement and drug education.[454]

[454] Department of Education and Early Childhood Development, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire

Committee comment

The Committee is of the view that the results of the evaluations connected with the wide range of initiatives that deal with depression among students in Years 6 and 8 should form the basis of a published report.

Recommendation 52: **The Department of Education and Early Childhood Development publish a report that discloses the impact that initiatives have had on addressing depression among Years 6 and 8 students.**

CHAPTER 16: HEALTHY ENVIRONMENT

Key Findings of the Committee:

Protecting the environment for future generations

16.1 **In the time since new levies were introduced for Prescribed Industrial Waste in Victoria, $18.1 million has been raised. As of 30 June 2008, $11.2 million (61.9 per cent) had been allocated or spent on a range of activities to reduce the impact of hazardous waste on the environment. With the levies expected to generate a further $12.4 million in 2008-09 a clear rationale and spending program for the future allocation of these funds will be required.**

16.2 **The HazWaste Fund is designed to support industry to avoid waste generation, reuse, recycle, develop advanced treatment technologies and research into recycling and treatment of hazardous waste. $5.6 million was allocated to the fund and $0.9 million was dispersed from the fund in 2007-08. Currently, 28 projects have been approved with a total commitment of $10.7 million. The Committee has recommended that the Environment Protection Authority provide detailed revenue projections and expenditure information for the HazWaste fund either online or in its Annual Report.**

16.3 **During 2007-08, 690 bushfires occurred in Victoria affecting 32,364 hectares. This was a 7 per cent increase over the 30 year average of 615 fires, but the area affected was considerably less than the 30 year average of 173,153 hectares per year. Government expenditure in 2007-08 on fire fighting and management activities was $37.2 million, 37.6 per cent higher than budgeted.**

16.4 **During 2007-08 the Environment Protection Authority introduced 'tackling climate change' as a new corporate objective, signalling its increasing focus on mitigating and adapting to climate change. Funding for climate change projects in the Environment Protection Authority included $0.8 million to undertake innovative research and initiatives such as establishing a Carbon Innovators Network.**

16.5 **In February 2008, the Department of Primary Industries finalised negotiations for a $420 million large scale solar power plant to be built in north-west Victoria. A 140kW Research and Development facility near Bendigo opened on 31 October 2008 and the next stage of the project is to develop a 500kW small scale demonstration plant. Full commissioning of the plant is expected in 2013.**

16.6 **The Department of Education and Early Childhood Development has implemented a number of energy reduction initiatives which included the installation of solar panels in schools and 'switch-off' campaigns in schools and the Department's corporate offices. The Department will need to ensure that future reporting of the target to reduce energy consumption per square metre by 20 per cent of 1999-2000 consumption by 30 June 2010 will enable meaningful comparisons to be made with the baseline data, given the machinery of government changes that have occurred since 1999-2000.**

16.7 **During Victoria's response to the Equine Influenza outbreak, many non-critical animal health activities were delayed or reduced, whereas critical program activities were maintained through extensive staff overtime as well as the engagement of private veterinarians in testing and the employment of contractors to deliver certain elements of the response, especially border security.**

Efficient use of natural resources

16.8 ***Our Water Our Future: The Next Stage of the Government's Plan*, launched in June 2007, outlined the Government's approach to secure Victoria's water supplies at an estimated cost of $4.9 billion. The Department of Sustainability and Environment has published a Progress Report and presented information on these major projects in its Annual Report. While the Committee considers this to be good practice, it has recommended that future progress reports should, wherever possible, include information about performance in relation to major milestones and targets.**

16.9 **A major component of the White Paper, *Securing our Water Future Together*, was the development of five *Regional Sustainable Water Strategies*. In late 2007, the Government decided to merge the Wimmera and Glenelg Region with the South West Region into a single *Western Region Sustainable Water Strategy* following the release of *Our Water Our Future: The Next Stage of the Government's Water Plan*.**

16.10 **The Department of Sustainability and Environment advised the Committee that the *Central Region Sustainable Water Strategy* was completed in October 2006, the *Northern Region Sustainable Water Strategy* will be completed in May 2009, the *Western Region Sustainable Water Strategy* will be completed in October 2009 and the *Gippsland Region Sustainable Water Strategy* will be completed in March 2010.The Committee has requested more detailed reporting of the progress of the development and implementation of these strategies in the Department's *Annual Report.***

16.11 **The Lower Wimmera ecological risk assessment, undertaken by the Environment Protection Authority, was developed to identify risks to the lower Wimmera River, provide information to assist Wimmera Catchment Management Authority in managing these risks and provide a practical example to other natural resource managers of an ecological risk assessment. The Environment Protection Authority in future will provide technical support to Catchment Management Authorities undertaking ecological risk assessment, rather than undertake risk assessments itself. The Committee has identified a need for a coordinated approach to the development of future ecological risk assessments to ensure maximum efficiency and coverage of at risk ecosystems.**

16.12 **Preliminary analysis indicates Tranche 1 ($41.9 million) of the Large Scale River Restoration Project will contribute to the improvement of more than 1,250 km of riparian and instream habitat within priority rivers and estuarine systems. Following completion of regional reports covering the 4 years (2004-05 to 2007-08), an independent evaluation will also be completed in 2009. The Government has committed to Tranche 2 funding ($46.8 million) for this project which will be used to improve the health of 55 priority river or estuarine reaches covering an estimated 2,600 km.**

16.13 While 1,291 State schools participated in the Schools Water Efficiency program (81.3 per cent of the 1,587 Government schools), only 121 private schools (17.1 per cent of the 220 Independent schools and 486 Catholic schools) had signed up for the program as at 15 December 2008.

16.1 Introduction

Healthy Environment is the third *Growing Victoria Together* vision examined by the Committee in this year's *Financial and Performance Outcomes Report*.

16.2 Linkage of issues examined to the *Growing Victoria Together* visions

This chapter contains outcome-related comments pertaining to 14 issues. As well as serving to enhance accountability, the Committee believes that this information will engender debate and provide a springboard for follow-up as part of the Committee's impending inquiry into the 2009-10 budget estimates.

The Committee asked a range of questions to departments and agencies in relation to the *Healthy Environment Vision*. These questions, and the relevant department or agency responses, are detailed in full, with supporting commentary from the Committee where it is deemed relevant. Issues selected by the Committee for examination, aligned to the *Growing Victoria Together*, goals cover the following topics:

Protecting the environment for future generations

- Waste Management in Victoria
  - Hazardous Waste Disposal
  - HazWaste Fund
  - Contaminated Sites
- 2007-08 Bushfire Season
- Climate Change
  - Tackling Climate Change – Environment Protection Authority
  - Solar Photovoltaic Power Station
- Energy Reduction Initiatives in the Department of Education and Early Childhood Development
- Equine Influenza Outbreak

Efficient use of natural resources

- Management of Victoria's Waterways
  - Our Water Our Future: The Next Stage of the Government's Plan
  - Regional Sustainable Water Strategies
  - Lower Wimmera River Health Ecological Risk Assessment Program
  - Fish Deaths
  - Large Scale River Restoration Program
- Water Efficiency in Schools

16.3 Protecting the environment for future generations

16.3.1 Waste Management in Victoria

Waste management in Victoria is governed by the *Environment Protection Act 1970*. The Environment Protection Authority is responsible for the development and implementation of Victoria's statutory framework for waste.

There are three types of waste, *municipal waste*, *commercial and industrial waste* and *prescribed industrial waste* (PIW). PIW's, which include hazardous wastes, are generated from industrial activities and are listed in the *Environment Protection (prescribed waste) Regulations 1998.*

The Committee has examined three areas relating to the management of waste and contamination:

- hazardous waste disposal;
- management of the HazWaste Fund; and
- identification and management of contaminated sites.

16.3.2 Hazardous Waste Disposal

The Environment Protection Authority has been heavily involved in the Government's strategy to minimise hazardous waste disposed to landfill in Victoria

The Environment Protection Authority annual report advised that a key initiative to achieve the Government's target to eliminate Category B PIW disposed to landfill by 2020, was to increase the landfill levy cost from $26 per tonne to $130 per tonne on 1 July 2007 and to $250 on 1 July 2008. The Committee requested the following information from the Environment Protection Authority.

Question

Please provide details of the total revenue generated by these levies in 2005-06, 2006-07 and 2007-08 and the expected revenue for 2008-09. Please advise how these funds have been/will be expended and how this will contribute to the 2020 target.

Response

The total revenue generated by these levies was:

Table 16.1: Revenue from Category B PIW Landfill Levies

Year		**2005-06**	**2006-07**	**2007-08**	**2008-09 (forecast)**
Revenue	($ million)	$2.9	$4.0	$11.2	$12.4*

Note: The forecast revenue to be generated in 2008-09 takes into account the expectation that the higher levy will reduce the amount of Category B waste going to landfill, consistent with the aims of the Toward Zero Waste Strategy.*

Source Environment Protection Authority, Response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.4.

The funds have been spent in two ways:

- in 2007-08, $5.6 million was used on services provided by Environment Protection Authority including enforcement, licensing, liaison and partnerships with industry, community consultation and hazard identification; and
- as per the *Environment Protection Act 1970* Schedule E, revenue from the increases in the levy have been allocated to the HazWaste Fund. For 2007-08 this allocation was $5.6 million.

Activities funded through the HazWaste Fund will help drive Victoria towards the elimination of Category B prescribed industrial waste by 2020 in particular through the development and implementation of new technology recycling and treatment methods. It is envisaged these methods will replace waste going to landfill.

Committee Comment

In 2006, the Government released *Our Environment Our Future – Sustainability Action Statement 2006*. This major policy document indicated the Government's intention to raise landfill levies from $30/tonne to $130/tonne, with the proceeds to be targeted at initiatives to help industry avoid waste and reuse materials.[455]

Since 2006, the increased landfill levies have been used to establish waste management infrastructure, industry waste reduction programs, education programs, regulatory controls and enforcement regimes. Levy funds have also been allocated by the Treasurer and the Minister for Environment through the Sustainability Fund.[456]

In total (to 30 June 2008), $18.1 million has been raised from Category B PIW Landfill Levies since 2005-06. As at 30 June 2008, $11.2 million (61.9 per cent) was allocated or spent on a range of activities to reduce the impact of hazardous waste on the environment.

With the levies expected to generate a further $12.4 million in 2008-09, the Committee expects the Environment Protection Authority, in consultation with related agencies, to develop a clear rationale and spending program for the future use of funds that are not allocated to the HazWaste Fund.

16.3.3 HazWaste Fund

Question

Please provide details of the role and objectives of the HazWaste Fund. Please detail the total amount allocated to the fund and the total funds disbursed to date. Please provide full details for each project that has received approval up to 30 June 2008 including:

- nature of the project;
- approval date;
- funding allocation;
- expenditure to date;
- project status;
- estimated completion date and key milestones; and
- performance measurements and description of the objectives of the HazWaste Fund and *Growing Victoria Together* objectives for a Healthy Environment.

Please also provide details of the selection criteria and processes for funding applications including but not limited to, risk assessments, cost-benefit analyses and needs analyses.

455 Department of Sustainability and Environment, *Our Environment Our Future – Sustainability Action Statement 2006*, July 2006, pp.49-50

456 < http://www.epa.vic.gov.au/waste/landfill_levies.asp>, viewed 3 April 2009.

Response

The HazWaste Fund (the fund) is designed to support industry to avoid waste generation, reuse, recycle, develop advanced treatment technologies and research into recycling and treatment of hazardous waste. Its objectives include:

- reduce hazardous waste to landfill;
- reduce the hazard category of hazardous waste disposed to landfill; and
- increase remediation of contaminated soil.

The amount allocated to the fund in 2007-08 was $5.6 million. Commitments for approved projects total $10.73 million. Expenditure since the fund's commencement (1 July 2007 – 23 December 2008) is $883,280 due to the time taken to process applications and the number of applications received. Table 16.2 lists the approved projects under the program.

All projects listed in Table 16.2, apart from TPI and Civil Contractors Federation (CCF), have had contracts signed with agreed milestones, key performance indicators, payment schedules, intellectual property management clauses and reporting requirements. The TPI and CCF contracts were expected to be signed in January 2009. The process for applications and selection criteria are set out in the HazWaste Fund Framework.

The Panel has been established to inform Fund decision making and investment priorities. Its membership comprises a cross section of industry and government experts. Its role is to review the commercial, innovative and technical aspects of applications and make recommendations; maximise the value of the Fund in accordance with its objectives; provide current fund strategy and recommendations; and review its performance.

Table 16.2: Projects funded to date through HazWaste Fund

Company	Funding $	Status	Estimated Completion Date
Rohm and Haas	15,000	Commenced Oct 2008	Jan 2009
DAF sludge sector project - PB	75,000	Commenced Sept 2008	Feb 2009
Geocylce	600,000	Commenced Aug 2008	Mar 2009
Veolia	2,000,000	Five year project commenced Sept 2007	Sept 2012
Trans Pacific Industries	5,000,000	Two year project yet to commence	Jan 2011
ASIRC	953,000	March 2007	March 2009
PQ Australia	600,000	Commenced May 2008	Jan 2009
Hawker de Havilland	14,000	Commenced Feb 2008	Jan 2009
ITW Buildex (via AiG)	40,000	Completed	Completed Feb 2008
Metal industry - Hyder (via AiG)	90,000	Commenced June 2008	March 2009
Alcoa (via AiG)	45,000	Commenced August 2008	February 2009
Bendigo foundry sands - Greenchip (via AiG)	52,000	Completed	Aug 2008
Machinery & equipment sector - Hyder	105,000	Commenced June 2008	February 2009
Geelong Galvanizing	50,000	Commenced Jan 2008	Feb 2009
Visy - Fly Ash	25,000	Completed	Completed May 2008
Rosedale Leather	53,000	Completed	Completed June 2008
Visy - Resource Efficiency	39,000	Completed	Completed Dec 2007
Smorgon Wire (via AiG)	30,000	Completed	Completed Dec 2007
ASIRC - knowledge project	20,000	Completed	Completed July 2008
Laminex (via AiG)	80,000	Completed	Completed August 2008
Robert Bosch	14,000	Completed	Completed May 2008
Mobil Refining Australia Pty	32,000	Completed	Completed Sept 2008
Visy (project review) - URS	5,000	Completed	Completed June 2008
PQ Australia	14,000	Completed	Nov 2007
Civil Contractors Federation (CCF) Vic	430,000	Yet to commence	Jan 2012
Golders - knowledge project	49,000	Completed	Completed November 2008
HRL - knowledge project	15,000	Completed	Completed October 2008
Resources - Govt liaison	280,000	Ongoing. Commenced Nov 2008	Nov 2012

Source: *Environment Protection Authority, Response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.4.*

Committee Comment

In 2007-08, $5.6 million was allocated to the fund from landfill levies (approximately half of the funds raised through the levies in 2007-08), while a further $5.1 million has already been committed from the fund, presumably from future landfill levies.

The HazWaste Fund framework indicates that the Environment Protection Authority will report quarterly to the Minister for Environment and Climate Change on the revenue received from each waste stream.

With an expected reduction in landfill, levies will also decline. The Environment Protection Authority will need to monitor such reduction carefully to ensure that project commitments under the HazWaste Fund do not exceed expected revenue from levies.

16.3.4 Contaminated Sites

According to the Department of Treasury and Finance *Annual Report 2007-08*, while the State does not admit any liability in respect of potentially contaminated sites, remedial expenditure may be incurred to restore the sites to an acceptable environmental standard in the event of future developments taking place.

Question

What are the potentially contaminated sites that have been identified in terms of environmental concerns surrounding land remediation, leading to the disclosure of non-quantifiable contingent liabilities in the Department's balance sheet as at 30 June 2008?

Response

The properties that lead to the non-quantifiable contingent liabilities on the Department's balance sheet are those that were allocated to the State from the Gas and Fuel Corporation of Victoria (GFCV) and State Electricity Commission of Victoria (SECV) via a series of Treasurer's Allocation Statements, the last of which was dated 20 September 2001. These included a number of former gasworks sites.

In addition, all subsisting property and rights (if any) of SECV (and GFCV), and all liabilities of SECV (and GFCV) in relation to former SECV (and GFCV) Properties (i.e. properties that SECV (and GFCV) had, at any time, a legal or equitable estate or interest in) have been allocated to the State.

16.3.5 2007-08 Bushfire Season

In December 2008, the Committee asked the Department of Sustainability and Environment to provide further information about the 2007-08 fire season. The Department's response, detailed below, was received by the Committee several days prior to the Black Saturday bushfires of 2009.

Question

During 2007-08, 690 bushfires occurred in Victoria affecting 32,364 hectares. This was a 7 per cent increase over the 30 year average of 615 fires, but the area affected was considerably less than the 30 year average of 173,153 hectares.

Please outline the steps taken by the Department, in association with other agencies, to minimise the impact of bushfires during 2007-08, detailing which strategies met with the greatest level of success.

Response

In response to various previous inquiries and reports into Victorian bushfires, the Department continues to strengthen and streamline the relationships with its partner agencies – the Networked Emergency Network – Parks Victoria, Department of Primary Industries, VicForests and Melbourne Water. Continued efficiencies in the working relationships between all of the Networked Emergency Network partners enables quicker response times and better management of fire breakouts, preventing larger bushfire events.

On the fire line itself, a greater number of seasonal fire-fighters were employed and trained earlier in the 2007-08 (680 personnel) season enabling 90 percent of outbreaks to be controlled within 5 hectares. For further detail see pages 54-55 and page 191 of the 2008 Annual Report.

In addition to the on-ground efforts, the Department has also concentrated on developing the *Living with Fire - Victoria's Bushfire Strategy* which provides a comprehensive framework to effectively manage preparedness and response efforts as well as respond effectively to inquiries, audits and their recommendations. The Strategy was launched in December 2008 and is now being incorporated into operations.

Question

Please also provide the following information regarding the 2007-08 fire season:

- budget vs actual expenditure on fire fighting activities (by month and region / outbreak) and reasons for variances greater than 10 per cent;
- most commonly occurring causes (by month and region / outbreak);
- estimated cost of fire damage (by month and region / outbreak); and
- number and impact of prevention and education programs undertaken during 2006-07 and 2007-08.

Response

The Department does not keep fire fighting activity expenditures on individual outbreaks per region, though below is a summary of the costs associated with the 2007-08 season and the reasons for variances.

Due to the varying nature of each fire season, a notional amount largely related to preparedness is allocated to the Department through the budget. The Department seeks additional funding through a Treasurer's Advance to cover the costs of an intense fire season. The total received is then published in the Annual Financial Report (see page 169 of the 2007-08 report for the total Treasurer's Advance for fire fighting).

Table 16.3: Costs and variations associated with the 2007-08 bushfire season

	Budget ($m)	Expenditure ($m)	Variance (%)	Reasons
Preparedness	92.2	105.2	14.1	Project Fire Fighters and aircraft also linked to hazard reduction. Additional funding was part of Treasurer's Advance.
Suppression	3.5	24.6	602.1	Suppression activities funded from Treasurer's Advance.
Hazard Reduction	3.3	6.4	93.9	Hazard reduction funded from Treasurer's Advance linked to Project Fire Fighters in preparedness.
TOTAL	99.0	136.2	37.6	

Source: Department of Sustainability and Environment Response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two.

The most commonly occurring causes of bushfires across the State in 2007-08 were lightning strikes (220) and deliberate lightings (140). A summary of the most commonly occurring fire causes during the 2007-08 fire season (November – April) include:

Table 16.4: Fire causes per region 2007-08 bushfire season

	Total per region					Total (number of fires occurring by specific common cause across the State)
	Gipps	**NE**	**NW**	**PP**	**SW**	
Campfire, BBQ	8	28	22	5	20	83
Deliberate (malicious) lighting	14	10	38	30	48	140
Lightning	114	50	22	4	30	220
Unknown	7	18	39	7	20	91
Total (number of fires per region starting by any of the most commonly occurring causes)	143	106	121	46	118	

Source: Department of Sustainability and Environment, email received 15 April 2009

Table 16.5: Fire causes per month 2007-08 bushfire season

	Breakdown by fire season month						Total (number of fires started by specific common cause over 2007-08 fire season)	Total (number of fires started by specific common cause outside 2007-08 fire season)
	Nov-07	**Dec-07**	**Jan-08**	**Feb-08**	**Mar-08**	**Apr-08**		
Campfire, BBQ	2	9	6	10	24	9	60	23
Deliberate (malicious) lighting	15	14	30	13	15	15	102	38
Lightning	50	25	116	9	18	0	218	2
Unknown	12	7	19	4	16	8	66	25
Total (number of fires started by common cause for that month)	79	55	171	36	73	32		

Notes: *As detailed in the DSE 2008 Annual Report (page 54), 690 bushfires occurred in Victoria affecting 32 x 364 hectares during the 2007-08 fire season. The tables above, only list the most commonly occurring fire causes by region and by month, reflecting 534 of the total number of fires in the 2007-08 fire season.*

Source: *Department of Sustainability and Environment, email received 15 April 2009*

The Department does not keep a tally of the individual costs associated with each fire outbreak or resulting damages and any costs incurred are expended on damages caused to public land infrastructure only. After the 2007-08 fire season the Department spent $1.1 million on rehabilitation activities across the State, funded from the Treasurer's Advance (for suppression activities – see Table 16.3).

Living with Fire – A Community Engagement Framework 2008-2012 was launched October 2008. The Framework is a joint initiative of the Victorian Government and Victoria's fire agencies delivering bushfire awareness, information, education and engagement programs relating to fire in the environment, based on three key themes of people, communities and environment.

The Department also undertakes community surveys of around 1000 people on behalf of the Country Fire Authority (CFA) annually, to determine the impact of prevention and education programs. In 2007-08, 93.5 per cent of respondents had at some time received information about bushfire safety (the majority via their local fire brigade or letterbox drops). This was an improvement on the 2006-07 fire season, when survey results indicated that 89 per cent of respondents had seen or heard messages, advertisements or commercials about fire safety before or during the summer fire season and 2005-06 when 77 per cent of respondents reported seeing or hearing a bushfire safety message.

Committee Comment

Government expenditure in 2007-08 on fire fighting and management activities was $37.2 million (37.6 per cent) higher than budgeted, including over 600 per cent additional funding for fire suppression and nearly 100 per cent extra for hazard reduction. This was funded through the Treasurer's Advance. Examination of the Treasurer's Advance identified an additional expenditure of $199.9 million since 2003-04 relating to fire fighting and fire management activities. Over half (54.8 per cent) of this expenditure occurred in 2006-07 when the Great Divide Fires burnt nearly 800,000 hectares and took over 60 days to bring under control.[457]

Table 16.6: Treasurer's advance bushfire payments 2003-04 to 2007-08

Year	Total Amount ($000)
2003-04	28,815
2004-05	9,020
2005-06	14,233
2006-07	109,614
2007-08	38,310
Total	**199,992**

Sources: Annual Financial Report 2007-08, p.169; Annual Financial Report 2006-07, p.152; Annual Financial Report 2005-06, p.169; Annual Financial Report 2004-05, p.139; Annual Financial Report 2003-04, p.136.

Preventative burning targets were increased from 100,000 hectares per annum in 2003-04 to 130,000 per annum in 2004-05 and for every subsequent year. While the preventative burning target was not met in 2005-06, it has been exceeded in 2007-08 (by 6.5 per cent) and 2008-09 (by 20.7 per cent). The Department's *Annual Report 2005-06* noted that the preventative burning target was not met due to difficult weather conditions.

Table 16.7: preventative burning targets and actuals, 2003-04 to 2007-08

Year	Fuel Reduction Burning Target (Hectares)	Fuel Reduction Burning Completed (Hectares)	Variance %
2003-04	100,000	95,000	-5.0
2004-05	130000	127,000	-2.3
2005-06	130,000	49,000	-62.3
2006-07	130,000	138,490	6.5
2007-08	130,000	156,473	20.7
Total	**620,000**	**565,963**	**-8.7**

Sources: Department of Sustainability and Environment Annual Report 2006-07 and 2007-08, Budget Paper No.3 – 2004-05, 2005-06, 2006-07 and 2007-08.

457 Department of Sustainability and Environment Annual Report 2006-07, October 2007, p.16.

16.3.6 Climate Change

Maintaining its ongoing focus on the Government's efforts to tackle the multitude of prevalent climate change issues, the Committee has this year included a brief review of two areas of climate change policy and research:

- *Tackling Climate Change*, a new corporate objective of the Environment Protection Authority; and
- solar photovoltaic power station.

16.3.7 Tackling Climate Change – Environment Protection Authority

Question

During 2007-08 the Environment Protection Authority introduced 'tackling climate change' as a new corporate objective. Please outline the practical steps taken by the Environment Protection Authority during 2007-08 to help the Government tackle climate change. Please relate expenditure incurred to strategic objectives and the achievement of high level outcomes relating to climate change. Please also provide details of the role of Environment Protection Authority within a whole-of-Victorian-Government framework in tackling climate change.

Response

The introduction of Environment Protection Authority's fifth corporate objective 'tackling climate change' reflects its growing role in mitigation and adaptation. It explicitly captures the importance of the work the Environment Protection Authority does in this area, such as:

- working to reduce greenhouse gas (GHG) emissions from business and industry;
- providing strategy and research to help Victorians respond to environmental change;
- partnering with business to reduce waste and improve resource efficiency – a key step in reducing the use of natural resources and helping organisations become more resilient; and
- ensuring its scientific, policy and engagement work on climate change continues along with a variety of partners to deliver improved knowledge and actions.

Up to $800,000 budget was allocated to the delivery of specific actions including:

- commencement of the Environment Protection Authority Environment and Resource Efficiency Plans (EREP) program with industry;
- launch of the Carbon Management Principles paper;
- establishment of the Carbon Innovators Network;
- production of a Carbon Offset Guide; and
- conducting Environment Protection Authority business in a carbon neutral manner.

Environment Protection Authority played an active role during 2007-08 in collaborating with other Victorian government departments/agencies and contributing to whole-of-government frameworks and processes aimed at tackling climate change. This included:

- working with all other departments/agencies on the Office of Climate Change-led climate change policy audit/green paper/white paper processes;
- leading the preparation of Victorian Government submissions (e.g. National Greenhouse and Energy Reporting System);
- collaborating with other key departments and jurisdictions to ensure coordination of climate change impacts and adaptation work; and
- ensuring programs and policies are strongly aligned with Victoria's climate change strategic objectives (e.g. the commitment to the EREP program was reaffirmed in the *Our Environment, Our Future* and the Reducing the Regulatory Burden policy was applied through its development).

Committee Comment

The Committee notes the Environment Protection Authority's new focus on climate change and its increased role in the Government's efforts to combat climate change.

Going forward, the Committee is interested to further understand the nature and outcomes of programs such as the Carbon Innovators Network and the Environment and Resource Efficiency Plans. To this end, it would appreciate clear and detailed reporting on these and similar programs in future annual reports and other supporting documentation.

16.3.8 Solar Photovoltaic Power Station

It is stated in the Department of Primary Industries *Annual Report 2007-08* that:

> *Climate change will have a profound effect on Victoria's energy sector. The sector will be called on to reduce emissions by moving to renewable electricity and high efficiency coal-fired generation with the geological storage of carbon dioxide emissions.*

In February 2008, the Department finalised negotiations for Solar Systems' $420 million large-scale solar power plant, the biggest solar photovoltaic power station in the world – to be located in north-west Victoria. About 70 per cent of the total project cost is expected to be invested in Victoria.

Question

Please outline the following:

- The development, construction and implementation timelines for the solar plant and its availability to provide electricity to Victorian homes and industry.
- It is noted that Department of Primary Industries Energy Technology Innovation Strategy provided up to $50 million for the project – how will the rest of the costs be funded?
- Have performance measures been developed which will measure the effectiveness and efficiency of the new power plant? If so please outline what these performance measures are, how they will be implemented and proposed reporting arrangements.

Response

The $420 million, 154MW large-scale solar power plant developed by Solar Systems Pty Ltd will be located in north-west Victoria (the Mildura region has been selected as the preferred location) and will be the world's largest and most efficient photovoltaic solar power station of its type - producing enough clean energy from the sun to power 45,000 homes by 2012-13. The photovoltaic technology is set to reduce greenhouse gas emissions by approximately 400,000 tonnes a year and place Victoria as a leading location globally for renewable innovation.

An important milestone for the project was the opening on 31 October 2008 of the $10 million, 140kW Bridgewater Research and Development facility near Bendigo that will test the photovoltaic technology. This is the world's first grid connected Heliostat Concentrator Photovoltaic (HCPV) system. Next steps include finalising the optimum module size at the Bridgewater facility and subject to community consultation and environmental approvals progressing construction of the 154MW plant at the Mildura location. The first step in the 154MW power station will be the construction of 2MW generation capacity in 2010. The first stage of the project is due for completion in 2010 with full commissioning of the plant expected in 2013.

The $420 million solar plant is to be developed through a combination of private and government funding. Government funding committed to this project amounts to $129.5 million consisting of $50 million from the Victorian Government through the Energy Technology Innovation Strategy program, $75 million from the Commonwealth Government's Low Emissions Technology Demonstration Fund and $4.5 million from the Commonwealth's Asia-Pacific partnership. TRUenergy, which is part-owner of Solar Systems, has committed $290 million to the project following an agreement with Solar Systems announced in February 2008.

The Solar Systems project is one that involves some technical risk for this emerging technology which is why the State has provided financial assistance to bring the product to market. As part of the funding agreement Solar Systems was required to provide a project plan and is also required to provide regular project updates both on a time basis (every six months) and a milestone basis with government funding tied directly to achievement of agreed milestones. The funding program is on a stepped basis with only $4.5 million being available to Solar Systems in the first tranche and the remaining $45.5 million being the subject of a full technical and commercial review of the project to determine the outcomes of the first stage of the project and whether or not it has met the objectives of the State. The effectiveness and efficiency outcomes of the plant will be determined as part of this review.

Committee Comment

As with all major infrastructure projects, the Committee is keen to ensure that clear and comprehensive public reporting mechanisms are in place to ensure that Parliament and the public are informed of progress against milestones and achievement of outcomes. The Committee suggests that the good reporting practices by the Department of Sustainability and Environment (see section 16.4.1) in regard to major water infrastructure projects are used as a model for this and other major infrastructure projects. Key elements of this approach include detailed reporting of progress against milestones in the Department *Annual Report* and the publication of periodic progress reports.

16.3.9 Energy Reduction Initiatives in the Department of Education and Early Childhood Development

The Department of Education and Early Childhood Development's annual report for 2007-08 reveals that the 2007-08 target to reduce energy consumption per square metre by 20 per cent of 1999-2000 consumption by 30 June 2010 will be addressed through energy reduction initiatives.

Question

- What progress was made in 2007-08 towards achieving the long-term target?
- Please describe the energy reduction initiatives that were introduced in 2007-08 and those that are planned for the future.

Response

Machinery of government changes in August 2007 saw the Office for Children and Early Childhood Development being transferred from the Department of Human Services to the Department of Education. The inclusion of data for the Office for Children resulted in an overall increase in Departmental energy consumption.

The Department's Central Office is incorporated in the scoping and tendering of the Department of Treasury and Finance's Victorian Government Energy Performance Contract, which involves tenancy and base building energy efficiency opportunities to be implemented during 2008-09.

New corporate office accommodation exceeds environmental performance requirements, utilising Green Star and Australian Greenhouse Building Rating standards.

Energy upgrade projects in schools are continuing and include installation of solar panels in schools, de-lamping and re-lamping, motion sensors and solar hot water services.

The Department introduced computer, computer monitor and lighting audits, and 'Switch-off' campaigns in schools and the Department's corporate offices.

The Department also established a pilot program for solar panels, water tanks and solar heating for 50 schools. This project is a collaboration between the Commonwealth Government and Sustainability Victoria.

The Department's Central Office will operate under the Department of Treasury and Finance's Victorian Government Energy Performance Contract which will be implemented during 2009-10.

Committee Comment

The Committee commented in Chapter 13, *Environmental Outcomes*, on the importance of the ongoing provision of comparable data, encompassing changes that result from encroaching issues such as machinery of government changes and office relocations. As with the ongoing environmental measures discussed in Chapter 13, the Committee expects that the Department will take the required steps to ensure that the achievement of this target is reported in a manner which allows direct comparison with the 1999-2000 baseline figures.

Recommendation 53: **The Department of Education and Early Childhood Development ensure that future reporting of the target to reduce energy consumption per square metre by 20 per cent of 1999-2000 consumption by 30 June 2010, allows for meaningful comparison with the 1999-2000 data, notwithstanding the machinery of government changes which have impacted the Department since this time.**

16.3.10 Equine Influenza Outbreak

Following the confirmation of Equine Influenza in New South Wales in August 2007, the Department of Primary Industries established a disease control centre to coordinate the Victorian response to the equine influenza outbreak, which ultimately, was successful in preventing Equine Influenza from entering the State.[458]

Question

- Please advise how animal pest, disease and residue control programs were maintained to assist industry to access markets.
- Please outline the total number of staff and total costs involved with dealing with the Equine Influenza outbreak

Response

Many non-critical animal health activities such as surveillance visits, inspections at sale yards and scales, meetings, sample collections, audits and training activities were either delayed or reduced to an absolute minimum during the Equine Influenza response. Critical program activities were also maintained through extensive staff overtime, the engagement of private veterinarians in testing and the employment of contractors to deliver some elements of the response, especially border security, and to backfill critical positions for staff occupied by the response.

Over 400 individuals, including contractors, were involved for varying lengths of time during the six month duration of the Equine Influenza response. Only a fraction of these were engaged at any particular time, with the high numbers due to the health and safety requirement to regularly rotate staff involved in emergency response and the subsidiary aim of ensuring that as many as possible received practical experience in an emergency animal disease response.

The total cost of the Equine Influenza outbreak response was $12.7 million for 2007-08 comprising operating costs of $8.03 million; salary costs of $3.6 million including normal time salaries of approximately $1.8 million (note total cost is $10.9 million if normal time salaries are excluded), on costs, overtime and allowances; diagnostic equipment purchases of $0.55 million; and compensation payments of $0.52 million to assist non-government, not-for-profit equine organisations that incurred financial losses due to the voluntary cancellation of horse events in Victoria during the Equine Influenza outbreak. $8.95 million of this cost was recouped during 2007-08 through the National Emergency Animal Disease Response Agreement under which all States, Territories, the Commonwealth and relevant industries contribute to the cost of significant emergency animal disease responses. Claims for reimbursement of eligible costs were independently audited by Ernst and Young.

16.4 Efficient use of natural resources

16.4.1 Management of Victoria's Waterways

The State's Waterways are of major social, economic and environmental significance. Climate change and long-term drought conditions have had a major environmental impact on Victoria's rivers, creeks and lakes.

458 Department of Primary Industries, *Annual Report 2007-08*, October 2008, p.47

In examining issues relating to the management of Victoria's waterways, the Committee chose to focus on expenditure incurred and progress made towards delivering:

- *Our Water Our Future: The Next Stage of the Government's Plan*;
- the five regional Sustainable Water Strategies;
- the Large Scale River Restoration Project;
- the Lower Wimmera River Health Ecological Risk Assessment Program; and
- improved outcomes in relation to fish deaths.

Our Water Our Future

Our Water Our Future: The Next Stage of the Government's Plan outlines the Governments approach to secure Victoria's water supplies. The Plan, launched in June 2007, was estimated to cost $4.9 billion and included:[459]

- building a desalination plant to provide drinking water for Melbourne;
- modernising Victoria's Food Bowl irrigation;
- expanding Victoria's Water Grid including delivering five major pipeline projects;
- upgrading Melbourne's Eastern Treatment Plant; and
- support for new and existing water conservation programs for homes and industry.

In July 2008, the Government released a 12 month progress report, detailing at a high level, the status and progress of each of the major projects included in the plan. The Department of Sustainability and Environment's *Annual Report 2007-08* also contains further information about these projects. The following questions were asked of the Department.

Question

Please provide details of the expenditure against budget during 2007-08 on each of the major infrastructure elements next stage of the *Our Water Our Future* plan and reasons for any variances greater than 10 per cent. Please also provide details of the progress of this plan against key milestones.

Response

Significant progress was made during 2007-08 on the major infrastructure projects contained in the next stage of the *Our Water Our Future* plan. In total $4.9 billion is being spent on these projects to manage the risk that Victoria's worst drought will continue indefinitely. The total supply for Melbourne will increase by 24 gigalitres annually by 2010 – half of its current water use.

459 *Our Water Our Future: The Next Stage of the Government's Plan – 12 month progress report*, July 2008, Department of Sustainability and Environment.

For details on the 2007-08 expenditure, refer to the response at Question 2.1 (see Table 16.6) and for details on individual project progress refer to pages 37-40 of the 2008 Department of Sustainability and Environment Annual Report.

Table 16.8: Expenditure on Major Water Infrastructure Projects

Project	2007-08 Budget ($ million)	2007-08 Actual ($ million)	Variance (%)	Total Estimated Investment ($ m)	Total Expenditure to 30 June 2008	Remaining expenditure (%)
Food Bowl Modernisation Project Stage 1 (i)	82.0	76.0	7.3	600.0	76.0	87.0
Geelong to Melbourne Pipeline	-	-	-	20.0	0.0	100.0
Goldfields Superpipe Ballarat Interconnector						
Commonwealth Component (ii)	90.0	89.5	0.5	90.0	89.5	-
State Component	38.9	39.6	1.8	70.7	70.7	-
Goldfields Superpipe Bendigo Interconnector						
Commonwealth Component	25.0	25.0	-	25.0	25.0	-
Hamilton to Grampians Pipeline	1.0	1.0	-	10.0	1.0	90.0
Wimmera-Mallee Pipeline Project Construction (iii)						
Commonwealth Component	43.3	168.5	289.1	266.0	245.0	8.0
State Component	36.8	139.0	277.7	266.0	207.9	22.0
Wonthaggi Desalination Project Preparatory Work (iv)	2.0	2.0	-	32.0	2.0	94.0

Notes: *(a) Expenditure in 2007-08 on the Food Bowl Modernisation Project included some output expenditure, which is not reflected in BIP 1.2007-08 Actual expenditure (output and asset) was consistent with 2007-08 Budgeted expenditure.*

(b) The Goldfields Superpipe has been completed. Consistent with many major projects, the Commonwealth withholds a minor amount of funding until the Final Report has been received. the remaining $0.5 million is expected in the 2008-09 financial year.

(c) Funding in future years was brought forward into 2007-08 to allow for accelerated works.

(d) Table 16.6 only reflects funding provided by the Government for initial activities associated with the Desalination plant, as the plant will be delivered through a PPP arrangement.

Source: *Department of Sustainability and Environment Response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two.*

Committee Comment

The Department of Sustainability and Environment has published a *Progress Report* and presented information on these major projects in its *Annual Report*. Regular reporting via a number of mediums is commendable and the Committee looks forward to this frequency and detail of reporting being maintained for the duration of these projects. This approach should also be replicated for other major program/policy initiatives across all departments.

The Committee would also like to see improved reporting against milestones and targets in future reports. Both reports (*Progress Report* and *Annual Report*) included high level information regarding actions taken to date and the *Progress Report* also provided an indication as to whether the project was *'on track to achieve delivery date'*. Both could be improved with the inclusion of detailed information about major milestones for each project, without which, it is difficult to determine the effectiveness, timeliness or efficiency with which the project is being administered. Stating that a project is on track to achieve its delivery date is not effective accountability.

Recommendation 54: **All departments prepare regular, detailed progress reports for major infrastructure initiatives. Progress reports should, wherever possible, include information about performance in relation to major milestones and targets.**

Regional Sustainable Water Strategies

In June 2004 the Victorian Government published the White Paper, *Securing our Water Future Together*. This major long term plan established over 100 water conservation initiatives. A major component of the White Paper was the development and implementation of sustainable water strategies for the five Victorian water regions. The Sustainable Water Strategies were to provide a comprehensive, long term plan for the sustainable use of water resources in each region.[460]

The first Sustainable Water Strategy was published in October 2006 following an extensive and lengthy planning and preparation process. Shortly after the Strategy was released, following a period of unprecedented low inflows to Victoria's catchments *Our Water Our Future, The Next Stage of the Government's Water Plan* was released. It included a range of projects designed to augment water supplies in the State.

The Department of Sustainability and Environment *Annual Report 2008* advised that the Northern Region Sustainable Water Strategy was under development and would be released in 2009. The Committee queried the status of each of the Regional Sustainable Water Strategies.

Question

Please outline the status of each of the regional sustainable water strategies against major milestones.

Response

Our Water Our Future (OWOF) 2004 proposed the preparation of five (one per region) sustainable water strategies. In late 2007, the Government decided to merge the Wimmera and Glenelg Region with the South West Region into a single Western Region Sustainable Water Strategy following the release of *Our Water Our Future, The Next Stage of the Government's Water Plan*.

460 *Central Region Sustainable Water Strategy*, Department of Sustainability, October 2006, p.10

The Government also decided to stagger the preparation of the strategies to:

- ensure comprehensive, effective and manageable stakeholder consultation and engagement, particularly at a time when many key stakeholders were dealing with drought;
- allow lessons learnt in the early strategies to be taken into account in the later strategies; and
- allow the outcomes of work announced in *Our Water Our Future, The Next Stage of the Government's Water Plan*, such as the business case on the Eastern Recycled Water Proposal, to be completed and considered in later strategies.

The current status of the four Regional Sustainable Water Strategies (RSWS) is:

Table 16.9: Development of Regional Sustainable Water Strategies

Project	Discussion Paper Due	Draft Strategy Expected	Final Strategy Expected	Status
Central RSWS	Delivered Oct 05	Delivered Apr 06	Delivered Oct 06	Complete
Northern RSWS	Delivered Jan 08	Delivered Oct 08	May-09	On track
Western RSWS	N/A	Apr-09	Oct-09	On track
Gippsland RSWS	Apr-09	Sep-09	Mar-10	On track

Source: Department of Sustainability and Environment Response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two.

Committee Comment

The Department of Sustainability and Environment is required under section 22J of the *Water Act 1989*, to report on current and draft sustainable water strategies in its Annual Report. In his 2008 report, *Planning for Water Infrastructure*, the Auditor-General observed that:[461]

> *The level of detail of the Department's 2006-07 annual report on sustainable water strategies was insufficient for it to meet its reporting obligations.*

While the content in the *Annual Report 2007-08*, in regard to the Central and Northern Region Sustainable Water Strategies, was greatly improved, it did not provide sufficient detail about the status of the remaining incomplete strategies. Specifically, the Committee believes the omission of a major decision to amalgamate the Wimmera and Glenelg Region with the South West Region into a single *Western Region Sustainable Water Strategy* is a significant oversight which is compounded by the lack of information on the Department website about this decision.[462]

While the Committee understands that the pressing concerns which prompted the development of *Our Water Our Future: The Next Stage of the Government's Plan* had an impact on the development and delivery of the Regional Sustainable Water Strategies, it has some concern about the length of time taken to develop these strategies. Following the publication of the *Central Region Sustainable Water Strategy* in October 2006, after an 18 month development period, a further 29 months have elapsed without another strategy being completed.

The Committee notes the revised timelines provided by the Department regarding the development of the Regional Sustainable Water Strategies, and will continue to monitor progress towards achieving these timelines.

461 Victorian Auditor-General's Office, *Planning for Water Infrastructure*, April 2008, p.46

462 <www.ourwater.vic.gov.au/programs/sws>, accessed 24 March 2009.

Recommendation 55: **The Department of Sustainability and Environment provide detailed, comprehensive information on the development and implementation of each of the four Regional Sustainable Water Strategies, including timelines for completion and major implementation milestones.**

16.4.2 Lower Wimmera River Health Ecological Risk Assessment Program

An ecological risk assessment is a process used to gauge the risk posed to the health of a particular ecosystem by a range of threats. Ecological risk assessments are commonly used to inform management decisions in ecosystems where a significant new threat or a range of possible threats have been identified. In the case of the Lower Wimmera River Health Risk Assessment Program, conducted by the Environmental Protection Authority, the river has been identified as a priority reach for management, as it is of high ecological value, yet is highly stressed and regarded as degraded.[463]

Question

The Environment Protection Authority annual report provides details of an ecological risk assessment undertaken on the Lower Wimmera River. Please provide details of the river health ecological risk assessment program including:

- the objectives and planned outcomes associated with the program;
- funds allocated to the project and expenditure to date including a year-by-year breakdown;
- the number of assessments planned for 2007-08 and 2008-09;
- the number of assessments undertaken in 2007-08;
- major outcomes of assessments undertaken during 2007-08; and
- specific impacts of the program to date on improving river health in Victoria.

Response

The Lower Wimmera ecological risk assessment was a stand alone project, rather than part of any ongoing Environment Protection Authority program. Its objectives were to identify risks to the lower Wimmera River, provide information to assist Wimmera Catchment Management Authority (WCMA) in managing these risks and provide a practical example to other natural resource managers of an ecological risk assessment. The outcomes were to identify the key risks to the Lower Wimmera River ecosystem and develop a predictive model the WCMA can use to determine the optimal use of any allocated environmental flow.

463 An ecological risk assessment of the lower wimmera river, Environmental Protection Agency, October 2008, p.5

The funds allocated and expenditure to date are detailed in Table 16.8.

Table 16.10: Funds allocated to the Lower Wimmera River Health Ecological Risk Assessment Program

		Operating Costs	Salaries	TOTAL	Cumulative Total
		($)	($)	($)	($)
2004-05	**Budget**	5,000	22,500	27,500	27,500
	Expenditure	5,000	20,300	25,300	25,300
	Variation	-	-2,200	-2,200	-2,200
2005-06	**Budget**	10,000	22,500	32,500	60,000
	Expenditure	10,000	20,000	30,000	55,300
	Variation	-	-2,500	-2,500	-4,700
2006-07	**Budget**	-	22,500	22,500	82,500
	Expenditure	-	20,000	20,000	75,300
	Variation	-	-2,500	-2,500	-7,200
2007-08	**Budget**	-	16,600	16,600	99,100
	Expenditure	-	16,560	16,560	91,860
	Variation	-	-40	-40	-7,240

Source: Environment Protection Authority, Response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.4.

The Lower Wimmera ecological risk assessment is the only ecological risk assessment Environment Protection Authority conducted in 2007-2008 and the Environment Protection Authority has not planned to conduct any in 2008-09. From 2008-09 the Environment Protection Authority will be providing technical support and advice to Catchment Management Authorities as they conduct these assessments on 'water quality hotspots' with the assistance of DSE.

The predictive model developed for the Lower Wimmera project will be useful in planning future environmental water allocations with a view to maximising the environmental benefits. The model will assist in optimising water use and ecological value from any savings returned to the river through the Wimmera Mallee Pipeline project.

16.4.3 Fish Deaths

The Environmental Protection Authority Annual Report 2007-08 advised that high salinity and low oxygen levels resulting from low water levels in Victorian, lakes, creeks and rivers in 2007-08 created two major fish death incidents at Lake Boga and Lake Colac.

Question

Please outline the specific steps taken to address the ongoing problem of fish deaths due to low water levels in lakes, creeks and rivers during 2007-08 and going forward into 2008-09. Please provide details of the costs associated with the two major fish death incidents and Lake Boga and Lake Colac and the impact of these incidents on the local environment and communities. The Environment Protection Authority annual report advises that the Environment Protection Authority and other stakeholders met to assess how these incidents were managed during 2007-08. Please provide an overview of the key findings and measures subsequently introduced to minimise the possibility of a repeat of these incidents. Please also advise as to how the river ecological risk assessments tie into the work to prevent fish deaths.

Response

In October 2006 the Environment Protection Authority released the Waterway Incident (Fish Death) Response Guidelines. These guidelines provide a description of the roles and responsibilities for responding to fish deaths by water management and environment agencies and provide the framework to undertake improved responses to fish deaths in Victoria.

Additionally, in January 2007, further guidance was provided to Environment Protection Authority staff in the Environment Protection Authority Fish Death Response Procedure. While the events at Lake Boga and Lake Colac were due to the drought, the guidelines assist in preparing agencies to identify waterways at risk, likely impacts and the practicability of clean up measures.

The Environment Protection Authority has also worked with local agencies to ensure clean-up occurs where practicable.

The responsible agencies such as local governments, DSE and Parks Victoria bear the clean up costs for fish death events. Environment Protection Authority does not hold any records of these costs. Each of these events resulted in a large number of rotting fish carcasses, with significant amenity impacts (i.e. odour, unsightly) within the immediate vicinity of the lakes. Local communities were affected by these and expressed concern about perceived health implications, loss of local recreational and commercial fisheries, water resource management and the impact of erosion and weeds in the case of a drying lake. Drying of any lakes will result in at least temporary loss of fish, bird and aquatic biodiversity.

The key findings of the de-briefs chaired by the Environment Protection Authority after both incidents included:

- The value of providing information to the local community through the media and the need to ensure this is prepared ahead of any event if practicable;
- The importance of ongoing communication between agencies including clarification of roles and responsibilities at a local level;
- The value of assessing the risk of fish deaths ahead of any event to support planning;
- The importance of detailed record keeping; and
- The need to ensure all relevant agencies are involved early, including the Department of Human Services.

Avoiding a further fish death incident at Lake Colac is unlikely due to the continuing dry conditions. Environment Protection Authority has provided advice to the media to this effect with the aim of alerting the local community to this likelihood.

Lake Boga is now dry due to changes in its operational management as part of the irrigation supply system.

The ecological risk assessment project in the Wimmera was targeted at maximising the use of the environmental water allocation while not impacting on other values. Other assessments being undertaken by CMAs will focus on the issues relevant to those CMAs and their stakeholders.

Committee Comment

While drought conditions continue, it will remain a difficult task to balance the competing demands for water in the State's rivers and lakes. It appears likely that incidents such as those seen in Lakes Colac and Boga will continue to occur in coming years.

To this end, the Committee suggests that the Department of Sustainability and Environment, the Environment Protection Authority, Catchment Management Authorities and other relevant organisations work to develop a targeted program of ecological risk assessments, designed to mitigate the risk of extreme events and minimise their impact on the environment and local communities.

Recommendation 56: **The Department of Sustainability and Environment co-ordinate the various water management agencies in Victoria to develop a targeted program of ecological risk assessments for the States 'at risk' waterways.**

16.4.4 Large-Scale River Restoration Program

Water authorities pay an annual environmental contribution levy, which is used to fund water related initiatives that promote sustainable water management and improve environmental performance. The first tranche of this levy ran from October 2004 to June 2008 and raised $225 million.[464] In 2008, the Levy was extended for a further four years and is estimated to raise an additional $295 million.[465]

The Large Scale River Restoration program (LSRR) was originally a four year, $40 million program funded through the Environmental Contribution Levy. In line with the extension to the Levy, the LSRR was also extended for a further four years from 2008-09.

The LSRR was designed to improve the health of Victoria's rivers, floodplains and estuaries by:[466]

- coordinating integrated large-scale restoration activities on priority river systems to maximise river health outcomes for investment; and
- using restoration programs to demonstrate and inform the community of the effectiveness of investment in river health.

Question

Please provide details of the LSRR program including:

- progress of projects against major milestones;
- information on completed projects including date of completion and assessment of achievement of outcomes;
- assessment of the extent to which the program outcomes and objectives were met by June 2008; and
- expenditure to date against budget (total and by year).

Response

The LSRR Tranche 1 objective was to contribute towards the Government's commitment to 'significantly improve the health of Victoria's rivers, floodplains and estuaries by 2010 to ensure that they are capable of delivering a wide range of services to the community' (OWOF 2004).

Preliminary analysis indicates Tranche 1 will contribute to the improvement of more than 1,250 km of riparian and instream habitat within priority rivers and estuarine systems. The program has also been successful at increasing community awareness, capacity and willingness to undertake river restoration works.

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464 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates Part 2,* May 2008, Verified Transcript with the Minister for Water, p.15

465 Department of Treasury and Finance, *Budget Paper No. 4,* May 2007, p.141

466 <www.ourwater.vic.gov.au /environment/rivers/river-health-program/policy-and-investment>, accessed 24 March 2009.

Final details documenting the 4th year of implementation are still in preparation, however key milestones delivered during the first 3 years of implementation include:

- 672 ha of indigenous re-vegetation;
- 511 ha of riparian zones fenced;
- 1,196 ha of riparian land treated and inspected for weeds;
- 182 stream frontage agreements signed with landowners;
- 97 off-stream watering points established;
- 743 large woody structures installed to provide habitat; and
- 3,170 M/L of environmental water delivered.

Following completion of regional reports covering the 4 years (2004-05 to 2007-08), an independent evaluation will also be completed (April 2009 deadline). The Minister for Water will be advised and results used to inform Tranche 2 implementation.

LSRR Tranche 2 will continue to support the Government's commitments to improve river, wetland and estuary health. Its key milestone is to improve the health of 55 priority river or estuarine reaches covering an estimated 2,600 km. Work on this stage of the project commenced in 2008-09.

Tranche 1 projects are currently completing a 4 year report outlining regional achievements.

Quarterly financial and annual project reporting completed over the period of Tranche 1 indicates consistent delivery against proposed actions. An independent program evaluation will be undertaken, the brief for which is currently being prepared (to be completed by April 2009). The evaluation will assess the LSRR contribution towards program outcomes and objectives.

Table 16.11: Expenditure on the Large Scale River Restoration Program

Funding Tranche and Year		Budget ($ million)	Actual ($ million)
Tranche 1	**2004-05**	10.8	10.3
	2005-06	10.5*	10.5
	2006-07	9.9*	9.0
	2007-08	10.7*	10.7
	Total	41.9	40.5
Tranche 2	**2008-09**	11.0	
	2009-10	12.0	
	2010-11	13.0	
	2011-12	11.0	
	Total	46.8**	

Notes: ** Budgeted figures include approved carryforwards loaded from previous year/s*

*** Total allocation to LSRR program Tranche 2 = $46.75m (includes $8m to Melb. Water)*

Source: *Department of Sustainability and Environment, Response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.17.*

16.4.5 Schools Water Efficiency

Question

The $3 million Schools Water Efficiency program (SWEP) helps schools connected to a reticulated water supply to save water. The Department of Sustainability and Environment's annual report advised that more than 650 schools joined the program in 2007-08. Please provide the information for each of the following categories, State/private, metropolitan/regional, by region, primary/secondary:

- total number of schools signed up to the program;
- total number of schools where works were completed prior to 30 June 2008;
- total number of State/private schools where works were completed during 2007-08;
- total water savings made to date; and
- total water savings made during 2006-07 and 2007-08 and savings estimated for 2008-09.

Please also outline steps taken to encourage participation in the program by all schools.

Response

A total of 1,412 schools had signed up for SWEP to 15 December 2008. Of these, 1,291 are State and 121 are private schools, while 655 are regional and 757 are metropolitan schools.

As of the 30 June 2008, 492 schools had all works completed. Of these 384 were State schools and 108 were private schools.

During 2007-08, 258 schools had works completed, of which 34 were private schools and 224 were State schools.

Total estimated water savings achieved to 15 December 2008 for the schools for which works are committed or have been completed is 213,677 kilolitres per year (kl/yr).

The total estimated savings for works committed or completed is:

Table 16.12: Estimated water savings from the *School Water Efficiency Program*

	2006-07 kl/year	2007-08 kl/year	2008-09 kl/year
Savings Per Year	115,471	172,708	300,000

Source: Department of Sustainability and Environment, Response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, p.15.

The above figures are cumulative estimates, with the 2007-08 figure reflecting actual achievement estimates. The 2008-09 estimated savings are based on average savings per school for 2008-09 to date. This could vary significantly based on the size of the schools which are to be completed for the remainder of 2008-09.

The Department of Sustainability and Environment worked extensively with the Department of Education and Early Childhood Development to get a mandate that all State schools undertake the SWEP. This has significantly increased participation in the program and the majority of State schools are signing up. Project managers are also working to encourage the private sector schools to join.

Committee comment

The Committee noted that 1,291 State schools participating in the SWEP represents 81.3 per cent of the 1,587 Government schools. However, only 17.1 per cent of private schools participated (121 of the 220 Independent schools and 486 Catholic schools). The Committee urges more schools to join the program.

Recommendation 57: **The Department of Sustainability and Environment, in conjunction with the Department of Education and Early Childhood Development, take steps to encourage greater participation by private schools in the Schools Water Efficiency program.**

CHAPTER 17: CARING COMMUNITIES

Key Findings of the Committee:

Building friendly, confident and safe communities

17.1 **The Victoria Police Annual Report 2007-08 presented a snapshot of key findings from the National Survey of Community Satisfaction with Policing in accordance with its strategy document *The Way Ahead*. The Committee identified a number of data limitations which impacted on the usefulness of these survey results and recommended that Victoria Police take further action to improve the robustness and relevance of performance indicators in future strategy documents.**

17.2 **Over all, the levels of reported crime in Victoria continue to decrease, however, crimes against the person continue to rise, albeit more slowly in 2007-08 (1.4 per cent) than the preceding two years. The data presented in the budget papers uses the gross number of offences while a measure of crimes per 100,000 population may be more relevant. The Committee has recommended that Victoria Police and the Department of Justice update this measure in future budget papers.**

17.3 **An output review undertaken by the Department of Justice has concluded that Victorian Legal Aid (VLA) is experiencing considerable demand pressures and the Department has had to provide assistance to VLA to ease cash flow pressures in 2008-09. The Department also identified that VLA no longer has the capacity to fund the shortfall between revenue and operating expenses from its reserves or the Public Purpose Fund. The Department advised that a review is underway as part of the 2009-10 budget process.**

17.4 **In 2007-08 there were 14 prisoner deaths in Victoria and 92 deaths amongst offenders serving community-based orders. In the three years to the end of 2007-08, drug-related deaths among offenders serving community-based orders have increased from 19 per cent of deaths to 30 per cent, while deaths as a result of suicide have fallen from 29 per cent to 16 per cent. The Department of Justice should review the effectiveness of drug control programs for offenders serving community based orders.**

17.5 **In 2007-08 there were 45 safety upgrades to railway crossings for pedestrians and road vehicles and 13 upgrades to pedestrian crossings to comply with the *Disability Discrimination Act 1992*. The average cost of a road crossing upgrade was approximately $400,000 and was not significantly affected by the type of upgrade. Details of the level crossing works undertaken during 2007-08 are provided in this chapter of the report.**

A fairer society that reduces disadvantage and respects diversity

17.6 **Victoria Police's Multicultural Advisory Unit is enhancing the skill level of police and improving understanding between the police and diverse groups within the Victorian community. Chief amongst the Unit's work is the Police and Community Multicultural Advisory Committee, the New and Emerging Community Partnerships Fund, Arabic language training and an African/Sudanese Cross Cultural Advice Program.**

17.7 **The Department of Planning and Community Development awarded 215 grants to community projects to encourage volunteering in 2007-08, more than doubling its target of between 90 and 120 grants.**

17.8 **The Department's planned social housing unit acquisition program is on track to meet its targets. To date, the Department has spent $111 million acquiring 353 units at an average cost of $314,448 per unit.**

17.9 **Output reporting of $50 million spent on public housing in 2007-08 from the Victorian Property Fund is inadequately reported. The Victorian Property Fund sits within Department of Justice but is an expenditure of the Office of Housing within the Department of Human Services. This practice results in an unmeasured output for the Department of Justice as the output is reported in the Department of Human Services Annual Report. There is scope for improved coordination and reporting.**

17.10 **The assessment method used to assess satisfaction with services provided by the Early Childhood Intervention Services may not have produced an accurate representation of people's experiences.**

17.1 Introduction

Caring Communities is the fourth *Growing Victoria Together* vision examined by the Committee in this year's Financial and Performance Outcomes Report.

17.2 Linkage of issues examined to the *Growing Victoria Together* visions

This chapter contains outcome-related analysis and comment across six categories within the two goals for the Caring Communities vision which covers 13 issues. As well as serving to enhance accountability, the Committee believes that this information will prompt debate, contribute to policy development pertaining to Victoria's community life, and form a reference point for the Committee's impending inquiry into the 2009-10 budget estimates.

The Committee asked departments and agencies a range of questions relating to the Caring Communities vision. These questions, and the relevant department or agency responses, are detailed in the chapter in full, with supporting commentary from the Committee where it is deemed relevant. Issues selected by the Committee for examination aligned to the *Growing Victoria Together* goals cover the following topics:

Building friendly, confident and safe communities

- Policing, crime and justice
  - Community satisfaction with policing
  - Police and young people
  - Crimes against the person
  - Victorian Legal Aid funding
  - Community-based orders
- Safer transport
  - Upgrading pedestrian and road railway crossings

A fairer society that reduces disadvantage and respects diversity

- Addressing cultural diversity
  - Multicultural Advisory Unit
  - Diversity amongst Victoria's older population
- Building community
  - Encouraging volunteering
  - Neighbourhood renewal program
- Social housing
  - Improving and expanding social housing
  - Victorian Property Fund
- Early childhood intervention services

17.3 Building friendly, confident and safe communities

17.3.1 Policing, crime and justice

Community satisfaction with policing

The Victoria Police Annual Report 2007-08 presented a snapshot of several key findings from the National Survey of Community Satisfaction with Policing (NSCSP). The NSCSP is an independent assessment of the community's perceptions and experiences of Victoria Police. While the survey results for 2007-08 reported perceptions of safety above 91 per cent, lower rates were reported for confidence in the police and community satisfaction with the delivery of policing services. The Committee asked the following questions in regard to the survey results.

(a) Question

Assessment of community perceptions and experiences of Victoria Police is measured by the independent National Survey of Community Satisfaction with Policing (NSCSP).

- The NSCSP reported that in Victoria, perceptions of safety was above 91 per cent during 2007-08, continuing an ongoing pattern. Please provide a breakdown of this perception level according to language spoken at home or its equivalent measure, geographic location, age and an indication of what contact survey respondents had had with the police.
- The percentage of people who have confidence in the police is, however, lower at 82.4 per cent. Please explain why confidence in the police is lower than the perceived safety, referred to above, and the factors identified by survey respondents as reasons for low confidence.
- The result for community satisfaction with delivery of policing services was lower again, at 69.7 per cent. Please provide more detail of this result, including reasons for dissatisfaction and satisfaction levels for different police services.

Response

The Community Survey sample population is stratified on the basis of location (in Police Regions), age groupings and gender. Victoria Police does not routinely produce cross tabulations of the type indicated in the question below whole of State level, because each 'refinement' of the data reduces the number of responses in the individual sample and therefore the reliability of the estimates.

The question that produces the result referred to asks respondents to rate their feelings of safety while out and about in their neighbourhood during the day. It is part of a series of questions which seeks information on perceptions of situational safety and is not linked to respondents contact with police.

The result of 91 per cent represents the average for the whole of State. In general terms, respondents living in rural areas tend on average to feel safer than those living in heavily urbanised areas; younger people tend on average to feel safer than the very elderly; and males tend to feel safer than females.

There is no direct connection between the section of the Community Survey which deals with the community's perceptions of situational safety and the section dealing with confidence in police. The 'confidence' question in contained in a section dealing with community perceptions of police honesty and integrity and is worded as:

> *'I do have confidence in police'.*

Respondents are asked to rate the degree to which they agree with the statement. The result of 84.2 per cent is the proportion of respondents who 'Agreed' or 'Strongly Agreed' with the statement. The Survey does not ask those who 'neither agreed nor disagreed' or 'disagreed' why they did not express agreement with the statement.

The result for community satisfaction is derived from an introductory question in the Community Survey which asks:

> *'Would you please say how satisfied you are in general with the services provided by the police'*

Respondents are asked to rate their level of satisfaction on a five point scale ranging from 'Very Satisfied' through to 'Very Dissatisfied'. The result represents the proportion of respondents who were 'Satisfied' or 'Very Satisfied' in general with the services provided by Victoria Police. The single question is asked of all respondents rather than being limited to those who have had direct contact with Victoria Police members during the year. Because this question is intended to seek very general information, no follow up question seeks additional information about reasons for dissatisfaction.

In a separate series of questions directed to those respondents who have had direct business contact with members of Victoria Police in the past 12 months, some 83 per cent those respondents reported that they were 'Satisfied' or 'Very Satisfied' with the service they received from police. It should be noted that this does not mean that 17 per cent of respondents were not satisfied, as a significant proportion of that 17 per cent were 'neither satisfied nor dissatisfied'.

Committee Comment

A relatively low number (69.7 per cent) of respondents indicated they were satisfied with the delivery of policing services in Victoria. The Department advised that this particular survey question is asked of all participants, not just those with recent police contact. The Department also identified a number of further data limitations which reduce the usefulness of the survey results. The restricted quantitative data is further compounded by the lack of qualitative data explaining the identified results.

It is important that the performance measures used in strategic planning documents such as *The Way Ahead 2003-2008*, are comprehensive and robust, providing detailed information that can be used to assist in policy development and to improve services. While pleased to note the wide range of performance measures employed and publicly reported by Victoria Police, the Committee encourages Victoria Police to further develop and enhance their performance measures in future planning and strategic documentation to include:

- demographic comparators covering as a minimum, age, location and gender; and
- qualitative information to support the numerical and statistical data.

Recommendation 58: **Victoria Police further develop and enhance the performance measures in future planning and strategic documentation to include demographic comparators and qualitative information.**

Police and young people

The Victoria Police identified relations with young people as a priority issue in 2007-08. However, details about programs and initiatives to address relationships between young people and the Police in the 2007-08 annual report was limited to the Victoria Police Youth Leadership Program.

(b) Question

Please provide details of programs that are addressing the relationship between young people and the police.

Response

At the present time there are some 187 identified, locally-based programs aimed at addressing and improving the relationship between young people and police. Those programs are spread across the State (all five Police Regions) and are locally developed to address specific issues and needs in particular communities. It will be appreciated that selecting a small number of examples for publication in the annual report when the scope of most programs is highly localised, carries some risk of seeming to ignore some valuable initiatives while highlighting particular challenges which may exist in other areas. Further information on some programs follows. The selection is not meant to imply that those programs are more extensive or worthy of attention than others:

Getting Dirty

This program targeted students ‘at risk’ of early disconnection from school and the community for reasons including behavioural problems, poor social skills, low academic achievement, poor school attendance record, low self esteem, family issues and recipients of a police caution.

It involved 12 'at risk' students from various schools within the Bacchus Marsh cluster aged between 10 - 14 yrs, both male and female. The program ran over six weeks with the group meeting every week for either full or half day sessions. Local Government and businesses, Rotary volunteers, student welfare workers, educational assistants and police participated in the program.

During the first day the young people participated in team building activities. These activities involved the participation of program facilitators, teachers, volunteers and police with the young people so that all parties could get to know each other and to build a rapport.

During the next four sessions of the program, participants attended Rotary Park located in Bacchus Marsh. With the assistance of Moorabool Shire Parks and Gardens Unit, they learned skills relating to horticulture, aspects of work safety and how to use tools safely. All participants had input in site selection, design and preparation and then planted and maintained trees and shrubs in the park.

As well as developing positive relationships with the adults during the program, students were able to develop their social and practical skills and were able to participate in activities which allowed them to practise what they had learnt. Participants also received recognition for their effort and they created a visible, long-term reminder of their contribution to their community and gained a sense of ownership of the park and its gardens.

The High Challenge Camp for Flemington Youth program

The High Challenge Camp for Flemington Youth program was developed to engage local African youth with police from the Flemington and Moonee Valley Police Service Area. The overall aim was to build on existing programs and continue improving relationships between local police, youth and the Culturally and Linguistically Diverse (CALD) community in order to reduce crime and criminal activity.

The existing programs are proactive strategies implemented through educational programs, camps and daily excursions in an attempt to gain the trust and understanding from the local youth and community. These strategies have evolved through consultation with the Kensington/Flemington Legal Service, Moonee Valley City Council, Department of Human Services (Ministry of Housing) and Victoria Police.

This High Challenge Camp which was conducted over three days had 15 male participants aged between 15 - 17 years of African descent (majority from the Horn of Africa) and who resided in the public housing estates in the Flemington and North Melbourne areas. The participants were selected through the local youth services worker from Moonee Valley City Council and local African youth group 'SAY GO'. Key issues faced by the group were; cultural integration and poor connection to community, inadequate literacy skills, low self esteem and poor leadership skills.

Objectives of the program:

- reduce stereotyping between young people and police;
- promote positive relationships between police, young people, community organisations and individuals;
- provide positive life experiences for participants using a variety of 'Challenge by Choice' activities;
- build self esteem and identify and utilise individuals' personal qualities; and
- facilitate the transference of learning to either the work or school environment and personal relationships/pursuits.

Parents were encouraged to attend the camp in a supportive capacity.

Don't Go There - Youth Perspectives

Don't Go There - Youth Perspectives, Brimbank is a Victoria Police initiative coordinated in partnership with Victoria University. Youth crime is very high within the City of Brimbank with youth in the 15 - 19 age group being over represented. There has been a great amount of media in relation to brawls, affrays, robberies, stabbings and other crime involving youth, especially those from CALD backgrounds.

Most police projects are based on anecdotal evidence or assumptions drawn from crime statistics. Many current projects are not based on evidence, but on opportunities made available by outside organisations.

This project involves surveying 528 youths aged 15 - 19 years within the Brimbank LGA in relation to their perceptions, fears and ideas on crime and related issues. Survey results will then form the evidence base for future projects within the Brimbank LGA. The survey will be conducted through secondary schools and CALD community groups using a mixed method approach involving surveys, focus groups and bilingual researchers.

This proposal will see the surveys conducted and a final report completed by April 2008.

The evidence base will canvass areas such as:

- youth perceptions of police (including trust) and what drives those perceptions;
- youth perceptions of safety and those perception drivers;
- areas where youth feel unsafe within Brimbank and why;
- ideas from youth on strategies to reduce crime (drugs, violence, weapons carriage, gangs);
- the level of gang activity within Brimbank;
- the level of ethnic-based criminal or anti-social activity; and
- the level of violence that is based on ethnic issues.

Further, the project will seek ideas from youth on how best to maintain on-going consultation with youth on safety and crime-related issues.

The project will have a specific focus on CALD youth so police can develop projects to specifically respond to these youths and their perceptions and needs. It is intended that the project will develop a transportable model for youth consultation for use anywhere within the state.

One of the key components of the project is the on-going communication model, based upon what youth perceive as the best way to communicate issues to police. This will provide a long-term ongoing sustainable outcome for the project. The CALD - specific component of the survey will help to develop a model for dealing with youth from any new emerging CALD community.

Operation Newstart - South East Region Indigenous Program

Operation Newstart - South East Region Indigenous Program is a Koori specific adventure-based outdoor pursuit and personal development program. The program seeks to reduce the level of risk factors of disadvantaged indigenous males aged between 13 - 16 yrs from the Dandenong area who attend an eight week intervention program which is culturally specific to indigenous youth. It is designed to assist these young people escape their behavioural cycle and reconnect them with their indigenous communities.

Indigenous specific inclusions to the program are:

- Koori rangers attending and assisting at the camps;
- visits to the Koori Heritage Trust;
- tour of Birrarung Marr;
- opportunity to trace family histories; and
- interaction with local Koori Elders at the Newstart Base.

The program gives participants a unique opportunity to develop new skills, attitudes and self belief and well as experiencing TAFE 'Taster' courses at Chisholm Institute.

Referrals to the program are made from parents, teachers, Student Welfare Coordinators, Victoria Police, the Department of Human Services and other welfare organisations.

The aims of the Newstart Program include:

- to allow young people to make a positive choice in their life and set realistic goals;
- to provide meaningful learning opportunities within a challenging and supportive environment;
- to promote individual achievement and the development of self belief;
- to practise & develop social & physical skills in a safe & supportive environment; and
- to provide an opportunity for students to remain engaged in mainstream schooling.

The Newstart program is a joint initiative between the Department of Education and Training and Victoria Police. It is staffed by one school teacher and one Koori police officer.

The key objectives of the program are measured through pre and post program surveys as well as interviews with teachers and parents/guardians and facilitators follow-up participants for two years post-program with a number of school visits per term and other contact when initiated by the young person.

The Operation Newstart - South East Region Indigenous Program is coordinated by Victoria Police in partnership with numerous agencies including Parks Victoria, Department of Education and Training, City of Greater Dandenong, Dandenong and District Aboriginal Co-Op and the CFA.

Committee Comment

The detailed response provided to the Committee regarding this particular question indicates the breadth and depth of information held, but not reported by Victoria Police in regard to one of its priority issues. The information also demonstrates the positive and diverse range of approaches being taken to foster relationships between a range of young people and the Police. It is considered paramount that department and agency annual reports provide comprehensive information in regard to identified priority issues.

Recommendation 59: **Victoria Police provide more detailed information, in its annual report, on priority issues and programs in line with the comprehensive responses provided in response to Committee questions.**

Crimes against the person

The Victorian crime rate has been declining every year for the past seven years. However, the number of crimes against the person has been increasing in recent years. In 2007-08 the increase in crimes against the person was approximately half the rate of increase of the previous two years. While this reduced increase is an improvement, it did not achieve the Government's target of a 2 per cent reduction in crimes against the person.

(c) Question

The Department of Justice highlighted the proportional bias of assault within this category in response to questions about crimes against the person from the Report on the 2006-07 Financial and Performance Outcomes. At that time an increase in assault offences was attributed to the introduction of the Code of Practice for the Investigation of Family Violence and the increased reporting of offences was considered a 'successful outcome'. Please:

(a) detail the categories of crimes within the category of 'crimes against the person';

(b) include a detailed list of target figures and actual occurrences for each category in 2007-08;

(c) explain the contributing factors behind variances greater than 10 per cent; and

(d) detail steps taken to reduce 'crimes against the person' in 2007-08, the method of assessing these steps and the hitherto assessment.

Response

The categories of crimes within the category of 'crimes against the person' are:

- homicide;
- rape;
- sex offences (other than rape);
- robbery;
- assault; and
- abduction/kidnapping

Table 17.1 shows the actual number of offences, and the rate of individual offences in each of the 'crimes against the person' sub-categories, and the variance between the 2006-07 and 2007-08 reporting period. Although the number of offences in 2007-08 has risen, the rate of offence per 100,000 population has decreased by 0.2 per cent in 2007-08.

Table 17.1: Numbers of crimes against the person by category

Category of Crime	Number of Offences			Rate per 100,000 Population		
	2006-07	2007-08	Variance (%)	2006-07	2007-08	Variance (%)
Homicide	197	169	-14.2	3.8	3.2	-15.6
Rape	1,700	1,562	-8.1	32.9	29.8	-9.6
Sex (non-rape)	6,210	6,263	-0.9	120.3	119.4	-0.7
Robbery	2,880	3,332	15.7	55.8	63.5	13.9
Assault	31,052	31,284	0.7	601.4	596.3	-0.8
Abduction/Kidnapping	314	337	7.3	820.2	818.6	-0.2
Total	**42,353**	**42,947**	**1.4**	**820.2**	**818.6**	**-0.2**

Source: Department of Justice Response to the Public Accounts and Estimates Committee, Financial and Performance Outcomes 2007-08 Questionnaire Part Two.

As part of the 2007-08 budget process, a target of 2 per cent reduction in 'crime against the person' as a category was set. Separate targets for each offence are not set.

The 15.7 per cent increase in 'robbery' offences was due to an increase in 'unarmed robberies', occurring on streets, in lanes and on footpaths.

Personal cash remains as the most likely item to be stolen. Increases in persons carrying high value personal electronic devices, such as mobile phones and ipods, is also driving the increase in 'robbery' offences in public locations.

The 'unarmed robberies' are almost always associated with assaults occurring in similar locations, particularly in and around licensed premises/places of entertainment.

Historically the annual number of homicides does not vary greatly. The high number for 2005-06 is attributed to gangland violence. The 14.2 per cent decrease in homicides translates to 28 fewer offences in 2007-08. Because the total annual number is low, the corresponding percentage variance is significant.

Table 17.2: Annual homicides

Year	2003-04	2004-05	2005-06	2006-07	2007-08
No. of Homicides	191	192	223	197	169

Source: Department of Justice Response to the Public Accounts and Estimates Committee, Financial and Performance Outcomes 2007-08 Questionnaire Part Two.

The introduction of the Safe Streets Taskforce and other related public order initiatives is already having an impact on the incidence of assault offences, particularly in the CBD. This impact is likely to continue through the 2008-09 reporting period. Ultimately, a reduction in these type of offences is also likely to lead to a reduction in assault-associated robbery offences since they are related. The relevant local crime statistics are monitored on a very regular basis to assess the impact of particular public order policing initiatives on reducing these offences.

Committee Comment

The specific measure used when presenting performance information can provide very difference results for the same issue. In the case of crimes against the person, basing the figures on the gross number of crimes committed resulted in an increase of 1.4 per cent, while basing the figures on the number of crimes committed per 100,000 population returned a decrease of 0.2 per cent. Regardless of the measure used, the target of a 2 per cent reduction in crimes against the person was not achieved.

The performance output measure reported in the budget papers targets a 2 per cent reduction in the gross number of crimes, yet the Department's response indicates that reporting the measure against per 100,000 population may be more relevant. The relevance of targets such as this should be considered when preparing future budgets.

The Committee also considers that the increases noted in specific categories of crime such as robbery justify setting targets for individual categories of crime instead of using a combined target. This would encourage more accountability for the performance outcomes for programs designed to reduce particular crimes against the person.

Recommendation 60: **Victoria Police and the Department of Justice consider using, on a systematic basis, targets and reporting based on the number of crimes per 100,000 population.**

Recommendation 61: **Budget paper performance output measures identify separate targets for the crimes making up the category of crimes against the person.**

Victorian Legal Aid funding

The Department notes in its annual report that targets set for Victorian Legal Aid (VLA) 'reflect base funding capacity, rather than any projected increases in demand'. However, it is also noted that in the last two years, VLA has received 'additional discretionary funding'.

(d) Question

Please report on the progress of the output review of VLA's funding.

Response

The output review has concluded that VLA is experiencing considerable demand pressures. The Department of Justice has agreed to assist with any 2008-09 cash flow pressures. The appropriate long-term response to VLA demand pressures is currently being considered in the context of the 2009-10 State Budget.

VLA receives funding from three key sources: the Commonwealth Government, the State Government and the Public Purpose Fund (PPF) (which is income derived from interest on solicitors trust accounts and accordingly fluctuates annually). The Commonwealth Government requires that its funds can only be used on matters arising under Commonwealth laws (e.g. family law matters).

Accordingly, State Government and PPF funds are used for matters arising under State laws (e.g. criminal law matters, family violence matters, and child protection matters).

As a result of sustained, sound financial management over many years, VLA had accumulated significant financial reserves, particularly in respect of its Commonwealth funding. In 2004, the VLA Board decided to fund increased legal aid services to the Victorian public by accessing the reserve Commonwealth funds.

Also in 2004, a funding agreement with the Commonwealth was signed, which required VLA to use its excess reserves or risk a reduction in Commonwealth revenue.

The 'additional discretionary funding' referred to above is the funding VLA receives from the PPF. After steadily increasing over a number of years, this funding decreased by $3.9 million in 2008-09, and in light of the Global Financial Crisis, it is anticipated that the amount of revenue VLA receives from this fund is likely to further decrease.

The expenditure of the excess reserves, and the increases up until 2007-08 of the PPF, has enabled VLA to deliver record, but by definition unsustainable, levels of services to the Victorian community. This has also been assisted partly by the $3.5 million LFS 2002 funding that sunsets in 2008-09. Furthermore, in recent years there has been a significant increase in demand for VLA services, in particular in respect of child protection and criminal matters (which are State funded). Accordingly, the significant operating losses recorded by the VLA (shown in the Table below) were met by now depleted reserves.

There is no longer the capacity to fund the shortfall between revenue and operating expenses from the reserves or PPF.

Table 17.3: Financial results 2005-08

	2005-06	2006-07	2007-08
	$'000		
Revenue	98,114	111,153	119,324
Expenses	102,081	117,623	139,629
Results	(3,967)	(6,470)	(20,305)

Source: Department of Justice Response to the Public Accounts and Estimates Committee, Financial and Performance Outcomes 2007-08 Questionnaire Part Two.

Community-Based Orders

Community-based orders are an alternative to custodial sentences and are used to balance the need for justice and rehabilitation of an offender. However, the breaching of community-based orders is an issue, particularly for indigenous male offenders who are twice as likely to breach a community-based order as non-indigenous male offenders.

(e) Question

Please outline these new programs identifying:

- whether it is a trial and/or the duration of the program;
- level of participation;
- the method for assessing program success against key program objectives including community, police and departmental responses to each program; and
- identify expenditure for each program.

Response

Wulgunggo Ngalu

The Wulgunggo Ngalu Learning Place (WNLP) is a key initiative of the Victorian Aboriginal Justice Agreement, and responds to the findings of the 1991 Royal Commission into Aboriginal Deaths in Custody.

The WNLP is another step in attempting to address the dramatic over-representation of Indigenous people in the criminal justice system. The WNLP is a culturally appropriate residential 'learning place' for Indigenous men who volunteer to attend the program as a condition of a Community-Based Order (CBO). The program will assist Indigenous offenders to successfully complete their CBOs, while teaching them life skills to reduce the likelihood of re-offending.

WNLP commenced taking participants in May 2008 and has been established as an ongoing program. This centre accommodates up to 20 Koori men at any one time with stays of between 3 to 6 months each. Currently 10 offenders are participating in the program.

An evaluation process has yet to be formalised, however, program success indicators will include:

- successful completion of community-based orders;
- offence specific and rehabilitation program completion rates;
- lower recidivism rates;
- community connectedness; and
- skill acquisition and securing employment / or education placement.

The facility cost some $4.8 million to construct and the Government has provided $0.8 million per annum for the operation of this facility.

Koori Offender Support & Monitoring Program

The Koori Offender Support and Mentoring Program (KOSMP) is designed to assist Koories to complete their community-based orders by engaging Koori Elders and Respected Persons to provide support, advice and cultural connection to program participants who are on community-based orders, intensive corrections order, community corrections treatment order or parole. KOSMP, an initiative of the Aboriginal Justice Agreement, is a collaboration between the Koori community and Community Correctional Services (DOJ).

Five community-based agencies have been funded for an initial period of approximately 2.5 years to deliver KOSMP in Shepparton, Bairnsdale, the Latrobe valley, Mildura and the north west region of Melbourne. The program was officially launched by the Attorney-General, the Hon. Rob Hulls in July 2008.

Each agency is expected to assist up to 30 Koori offenders per year.

Program success indicators include:

- successful completion of community based-orders;
- lower breach rates; and
- community connectedness.

The budget allocation for the Koori Offender Support and Mentoring Program is $2.8 million over four years.

Local Justice Worker Program

The Local Justice Worker Program (LJW) is designed to assist Koories to complete their community-based orders by ensuring supervised community work opportunities in culturally friendly environments for Koori offenders on orders. Community-based agencies in 10 locations have appointed Local Justice Workers whose role is to find appropriate community work in a culturally friendly environment, as well as help offenders link in to development programs run by service providers.

Local Justice Workers will also assist Koories with outstanding fines to negotiate payment plans with the Sheriff's Office and act as one key point of contact between local Koori communities and Justice agencies. The Program is an initiative of the Aboriginal Justice Agreement.

Ten community-based agencies have been funded for an initial period of approximately 2.5 years to deliver LJW in Horsham, Western metro, Bendigo, Echuca, Warrnambool, Wodonga, Lakes Entrance, Swan Hill, Drouin/Warragul and Dandenong. The program was officially launched by the Attorney-General, the Hon Rob Hulls in April 2008.

Each agency is expected to support and supervise up to 20 Koori offenders per year.

Program success indicators include:

- successful completion of community-based orders;
- lower breach rates;
- increased compliance with fines obligations; and
- community connectedness

The budget allocation for the Local Justice Worker Program is $2.5 million over four years.

(f) Question

The 2007-08 target for successfully completed community supervision orders was 70 per cent, however, only 62.6 per cent were successfully completed, a variance of 10.6 per cent. This has been attributed to closer supervision and tougher breach policies. Please provide the following details for 2007-08 and the preceding two years:

- measures taken to provide closer supervision;
- policies for addressing a breach of community supervision orders; and
- categorise reasons cited for failures to complete community supervision orders in 2007-08.

Response

The Community Corrections Service (CCS) Offender Management Manual (OMM) was approved in April 2005. It underwent an initial review upon the establishment of the CCS Compliance Review Team in late 2005. Changes identified by the team focused on clarifying and emphasising that the foremost task of supervision was to enforce compliance of the order.

In January 2006, revisions were made to the OMM relating to monitoring of unacceptable absences and when additional intervention was required. This was set at three unacceptable absences. This determination is in line with the Offender Management Framework, consistent with clinical processes and practices, and operationally manageable and not incongruent with legislative requirements.

This was considered a more structured approach to the case management of offenders via a compliance-based model where tighter regimes are enforced around non- attendances, lateness and general overall compliance.

In February 2009, new Director's Instructions will be released reinforcing the above non compliance model.

Policies for addressing a breach of community supervision orders are detailed in:

- Corrections Victoria, Community Correctional Services 'Offender Management Manual Version 1.3.1', (Section ¾) Breach of Court Orders; and
- As of February 2009, Director's Instruction
  - 5.15 Non-Compliance; and
  - 5.16 Breach and Application to Cancel/Vary will supersede the 'Offender Management Manual'.

In the event of non-compliance by an offender with the conditions of their order e.g. non-attendance for a drug and alcohol counselling appointment, the Case Manager will contact the offender to investigate the absence. Timelines are in place for the provision of documentation by the offender to verify the absence, and on the basis of this investigation, the Case Manager will deem the non-compliance as acceptable or unacceptable. The type of order, the offender's assessed risk of re-offending, and history of non-compliance (number of unacceptable absences incurred), informs the decision by the Senior Corrections Officer to commence breach proceedings and return the offender to Court.

Offenders subject to a Court-Based Order are subject to "Core conditions" which are prescribed in the *Sentencing Act 1991*, and are the same in all instances. Core conditions include:

- abstaining from violation of the law;
- notifying the Community Corrections Officer of change of address and employment within two working days;
- not leaving the State of Victoria without the permission of the Community Corrections Officer; and
- obeying all lawful instructions and directions of the Community Corrections Officer.

Offenders subject to Community-Based Orders must also be subject to at least one program condition, which may include unpaid community work, supervision, assessment and treatment, urine analysis testing or personal development.

Similarly, Parole Orders have core and program conditions, with which the Parolees are expected to comply. One component of the Supervising Officer's role is to ensure appropriate placement of offenders in programs stipulated by the Court / Adult Parole Board, and to monitor the offender's attendance / compliance with those requirements.

Should an offender fail to comply with any of the conditions of their order, for example by way of the categories outlined in this section of the report, he/she may be returned to Court. The Court may then re-sentence the offender on the original charges as if the offender had just been found guilty of that offence/s by the Court or, alternatively, may vary or confirm the existing order.

Non-compliance with program conditions attached to the community supervision orders include:

- failure to attend for appointments;
- failure to present at unpaid community work;
- failure to notify change of address;
- leaving the State without permission; and
- further offending during the operational period of the community supervision order.

(g) Question

In 2007-08 there were 14 deaths in Victorian prisons and 82 deaths among offenders under community supervision orders. Within the latter category, 30 per cent were suspected to be drug related and 17 per cent were suspected suicide. Please provide the comparable figures for the preceding two years and within each of three sets of annual figures:

- identify the proportion of these 82 deaths that were indigenous and non-indigenous;
- provide a breakdown by age and gender; and
- identify if any of the 82 were employed at the time of their death and include details of employment rates amongst people on community-based supervision orders.

Response

Please note, the data below is based on undated figures for 2007-08.

Table 17.4: Suspected Cause of Death for Offenders Under a Community Supervision Order

	Proportion of Deaths (%)		
Suspected Cause of Death	**2005-06**	**2006-07**	**2007-08**
Drug-Related	19	28	30
Suicide	29	14	16

Source: Department of Justice Response to Public Accounts and Estimates Questionnaire Outcomes Part Two, p.27

Table 17.5: Indigenous Status of Offenders Under a Community Supervision Order Who Have Died

	Proportion of Deaths (%)		
Indigenous Status	**2005-06**	**2006-07**	**2007-08**
Australian Torres Strait Islanders	9	0	5
Non-Australian Torres Strait Islanders	71	82	88
Unknown	20	18	7

Source: Department of Justice Response to Public Accounts and Estimates Questionnaire Outcomes Part Two, p.28

Table 17.6: Gender of Offenders Under a Community Supervision Order Who Have Died

	Proportion of Deaths (%)		
Gender	**2005-06**	**2006-07**	**2007-08**
Male	93	80	86
Female	7	20	14

Source: Department of Justice Response to Public Accounts and Estimates Questionnaire Outcomes Part Two, p.28

Table 17.7: Age of Offenders Under a Community Supervision Order Who Have Died

Age at time of Death	Number of Deaths			Age at time of Death	Number of Deaths		
	2005-06	2006-07	2007-08		2005-06	2006-07	2007-08
19	1	0	2	43	2	1	1
20	1	0	0	44	0	2	0
21	2	1	0	45	0	2	0
22	1	2	2	46	2	0	0
23	3	2	3	47	2	1	1
24	2	3	2	48	1	0	7
25	2	1	5	49	3	0	0
26	2	3	3	50	2	2	1
27	1	7	5	51	0	1	0
28	6	0	4	52	1	3	1
29	1	4	6	53	1	0	2
30	1	0	3	54	0	0	1
31	0	1	3	55	1	0	1
32	7	3	5	56	0	0	2
33	1	3	4	57	0	0	1
34	5	2	3	58	0	1	1
35	2	1	0	59	3	0	0
36	2	6	8	60	0	0	0
37	3	6	1	61	0	1	2
38	2	5	2	63	0	0	1
39	3	2	1	64	0	1	1
40	1	3	2	72	0	1	0
41	0	1	1	75	1	0	0
42	2	2	3	76	0	0	1
				Total	**70**	**74**	**92**

Note: *Variance in the total of deaths (2007-08) is due to notification being received by CCS post July 2008.*

Source: *Department of Justice Response to Public Accounts and Estimates Questionnaire Outcomes Part Two, p.28*

Table 17.8: Employment Status of Offenders Under a Community Supervision Order Who Have Died

Employment Status	Frequency		
	2005-06	2006-07	2007-08
Employee	6	9	11
Home Duties	1	3	3
Other	1	1	2
Pensioner	3	5	5
Student	1	0	0
Unemployed	23	16	28
Unknown	35	40	43
TOTAL	70	74	92

Source: Department of Justice Response to Public Accounts and Estimates Questionnaire Outcomes Part Two, p.29

(h) Question

Please outline the inquiry process in the event of such a death and detail how findings have impacted on the operation or revisions to the community supervision order program.

Please detail how the health of offenders on community-based orders is monitored and limits to this monitoring.

Response

Director's Instruction 5.3 Incident/Injury Reporting and Management, 1.5 Death of an Offender, outlines the process in the event of a death of an offender subject to a community-based disposition. The process is as follows:

- an incident report is forwarded to Office of Correctional Services Review (OCSR);
- the offender file is forwarded to the OCSR by the CCS location within 5 working days of the notification of the offender's death; and
- a report is prepared and forwarded to the Coroner's Court by OCSR.

The dissemination of findings, transfer of learning and implementation of coronial recommendations across Corrections Victoria are tasks carried out by OCSR.

Health information is self-reported by the offender.

At the Court Assessment stage (for assessed orders only) the offender, as part of the completion of the Victorian Intervention Screening and Assessment Tool (VISAT) Module 8, is asked questions relating to health. Health information is also obtained from the Court file if present.

Upon an offender's initial reporting to a Community Corrections Location, the offender has explained to them their obligations and signs the rules and regulations relating to the order. At this time, the offender is again asked if any health issues exist that could prevent him/her from complying with the Order.

If the offender advises that they have health issues, they are instructed to obtain further medical documentation or reports if necessary, detailing their capabilities in undertaking unpaid community work or ability to comply with the Order in general.

In the event of severe or deteriorating health, the offender has the option of applying to have the order cancelled or varied by the Court.

In relation to Parolees, information is obtained from the Prison either prior to release, or upon them presenting to a CCS Location.

Committee comment

From the available data it is evident the Department has had success in reducing the number of suicides amongst offenders serving a community supervision order. However, despite the potential to make assessment and treatment programs and urine testing analysis a condition of community-based orders, there has been a 50 per cent increase in drug-related deaths. Further, the Department of Justice should evaluate and possibly disclose the extent of its duty of care to offenders subject to a community based order, just as it has in relation to Victorian prisoners. The increase in drug-related deaths should be addressed as a priority.

Recommendation 62: **The Department of Justice review the effectiveness of drug control programs for offenders serving community-based orders.**

17.3.2 Safer transport

Upgrading pedestrian and road railway crossings

The VicTrack annual report detailed safety upgrades at 45 pedestrian and road crossings, 13 upgrades to pedestrian crossing to comply with the *Disability Discrimination Act 1992* and the installation of three Active Advanced Warning Signs at road crossings.

(a) Question

Pedestrian Crossings

Please provide the following information for each of the crossing upgrades completed during 2007-08.

- location;
- cost of completing the upgrade;
- original estimated completion date; and
- original estimated budget.

Please detail the process for selecting and prioritising upgrade works for pedestrian crossings, including information on risk management processes. Include information on the total number of planned upgrades, the number completed to date and the anticipated timeframe and budget for completing the upgrade works. Please also include updated information on criteria for prioritisation of works.

Road Crossings

Regarding road crossings, please provide the following information for each of the crossing upgrades completed during 2007-08:

- location;
- cost of completing the upgrade;
- original estimated completion date; and
- original estimated budget.

Please detail the process for selecting and prioritising upgrade works for road crossings, including information on risk management processes. Include information on the total number of planned upgrades, the number completed to date and the anticipated timeframe and budget to complete each of the upgrades. Please also include updated information on criteria for prioritisation of works.

Response

Pedestrian Crossings

Table 17.9: *Disability Discrimination Act* Compliance Program

No	Location	Upgrade	Cost at Completion	Date in service
1	Queen St, Colac (2)*	DDA Compliance	Included in road crossing cost table 4 item 10	30/06/2008
2	Queen St, Colac (1)*	DDA Compliance	Included in road crossing cost table 4 item 10	30/06/2008
3	Hart St, Colac (2)*	DDA Compliance	Included in road crossing cost table 4 item 11	30/06/2008
4	Hart St, Colac (1)*	DDA Compliance	Included in road crossing cost table 4 item 11	30/06/2008
5	Armstrong St, Colac (1)*	DDA Compliance	Included in road crossing cost table 4 item 12	30/06/2008
6	Armstrong St, Colac (2)*	DDA Compliance	Included in road crossing cost table 4 item 12	30/06/2008
7	Sloane St, Stawell (2)	DDA Compliance	$194,899	13/07/2007
8	Queen St (Nhill-NetherbyRd), Nhill*	DDA Compliance	Included in road crossing cost table 4 item 29	24/02/2008
9	Sunraysia Hwy (North Western Rd), St Arnaud (1)	DDA Compliance	$209,928	6/08/2007
10	Sunraysia Hwy (North Western Rd), St Arnaud (2)	DDA Compliance	Included above	6/08/2007
11	Calder Hwy, Irymple (1)	DDA Compliance	$174,994	21/09/2007
12	Calder Hwy, Irymple (2)	DDA Compliance	Included above	21/09/2007
13	Doyle / Napier St, Stawell	DDA Compliance	$174,869	19/07/2007

** DDA compliant passive pedestrian crossing upgrade included in road crossing cost identified in Table 18.7.*

Source: VicTrack response to the Committee's Financial and Performance Outcomes Questionnaire Part Two, p.7

Table 17.10: Pedestrian Crossing Upgrade Program

No	Location	Upgrade	Cost at Completion	Date in service
1	Abbott St, Sandringham	DDA Compliant Pedestrian Gates	$365,000	26/09/2007
2	Wickham Rd, Highett	DDA Compliant Pedestrian Gates	$375,000	17/10/2007
3	Springvale, Lewis St	DDA Compliant Pedestrian Gates	$800,000	20/04/2008
4	Arden St, North Melbourne	DDA Compliant Pedestrian Gates	$300,000	15/08/2007
5	Cottage St, Blackburn	DDA Compliant Pedestrian Gates	$280,000	24/02/2008
6	Mason St, Westgarth	DDA Compliant Pedestrian Gates	$265,000	28/10/2007
7	Victoria Rd, Fairfield (Dennis)	DDA Compliant Pedestrian Gates	$365,000	21/12/2007
8	Birmingham St - Hick St cnr, Spotswood (South Kingsville)	DDA Compliant Pedestrian Gates	$240,000	30/10/2007

Source: *VicTrack response to the Committee's Financial and Performance Outcomes Questionnaire Part Two, p.8*

DDA & Pedestrian Crossing Upgrades are part of a total on-going program. There is a budget allocation for the total program with unit costs monitored to ensure the overall budget is achieved. The critical aspect of the program is to ensure the rate of upgrade delivery is met. Target completion dates can vary considerably due to a range of factors including the design complexity of the site, the availability of signalling contractors and rail operational staff and the availability of test trains.

Pedestrian Crossing upgrade priorities are determined by the Victorian Railway Crossing Safety Steering Committee chaired by the Department of Transport through the ALCAM assessment process.

ALCAM (Australian Level Crossing Assessment Model) is a nationally adopted assessment tool designed to prioritise road and pedestrian crossing safety improvement works, as well as assisting in the determination of the most effective safety improvements at these sites. The model is a complex scoring algorithm, which considers each site's physical properties (characteristics and controls) including consideration of the related common human behaviours, to provide each level crossing with a likelihood factor. This factor is then multiplied by the site's 'Exposure Rating' (a factor of Vehicles (or pedestrians), Trains & Consequence) which enables the comparison of the relative Total Risk Exposure Score across pedestrian crossings within the state.

Data utilised in the ALCAM model is obtained from a 4-year state-wide cycle of inspection surveys for road and pedestrian crossings. The most recent cycle was completed in May 2008.

The upgrade forward program utilises the priority crossings identified by ALCAM and overlays business rules approved by the Victorian Rail Crossing Safety Steering Committee. These business rules populate the 5 year forward works program and consider:

Grouping – Sites from the top ALCAM priority sites are grouped together in groups of approximately 7-8 based on their geographical location to achieve economies of scale and ensure coordination between other projects, and that contractors do not need to revisit an area within the next 5 years.

Adjacent Crossings – Where non-priority crossings are adjacent to priority crossings or where a group of crossings are located within an interlocking yard or localised area, the non-priority crossings will be assessed for upgrade.

The ongoing DDA Compliance program is being scheduled around meeting the DSAPT (Disability Standards for Accessible Public Transport) milestones. The program is working towards the 2012 milestone of 55% completion.

The Pedestrian Crossing upgrade program is ongoing and is programmed to deliver 2 – 3 pedestrian crossings per annum.

Number of upgrades completed to the end of 2007/08 financial year is:

- DDA Compliance Upgrades: 20 (since 2006/07)
- Pedestrian Crossing Upgrades: 65 (since 1997/98)

Road Crossings

Table 17.11: Ballarat – Ararat Road Crossing Safety upgrades

No	Location	Upgrade	Cost at Completion	Date in service
1	Black Bottom Rd, Trawalla	Passive to Boom Barriers	$780,000	31/01/2008
2	Scullin Rd, Trawalla	Passive to Boom Barriers	included in above cost	31/01/2008
3	Trawalla - Waterloo Rd, Trawalla	Passive to Flashing Lights	Included in above cost	1/02/2008
4	Greenhill Lake Rd, Ararat	Passive to Flashing Lights	$375,000	29/04/2008
5	Heath St, Ararat	Passive to Flashing Lights	$490,000	25/05/2008

Source: *VicTrack response to the Committee's Financial and Performance Outcomes Questionnaire Part Two, p.9*

Table 17.12: Road Crossing Upgrade Program

No	Location	Upgrade	Cost at Completion	Date in service
1	Mornington - Tyabb Rd, Tyabb	Flashing Lights to Boom Barriers	$296,000	17/02/2008
2	Reid Pde, Hastings	Flashing Lights to Boom Barriers	$400,000	6/04/2008
3	Fairley (Kerang), Murray Valley Hwy	Flashing Lights to Boom Barriers and Active Advanced Warning Signs	$550,000	25/10/2007
4	Witt St, Benalla	Flashing Lights to Boom Barriers	$550,000	18/05/2008
5	Burrows St, Wangaratta	Passive to Boom Barriers	$370,000	1/06/2008
6	Wahgunyah - Wangaratta Rd (Three Chain Rd), Bowser	Flashing Lights to Boom Barriers	$260,000	13/01/2008
7	Havelock St (Indigo Creek Rd), Barnawartha	Flashing Lights to Boom Barriers	$225,000	15/11/2007
8	Buckley South Rd, Buckley	Passive to Flashing Lights	$285,000	17/04/2008
9	Princes Hwy, Warncoort	Flashing Lights to Boom Barriers	$500,000	12/07/2007
10	Colac, Queen St*	Flashing Lights to Boom Barriers	$2.7M	30/05/2008
11	Colac, Hart St*	Flashing Lights to Boom Barriers	included in above cost	30/05/2008
12	Armstrong St, Colac*	Flashing Lights to Boom Barriers	included in above cost	30/05/2008
13	Colac, Cant St	Flashing Lights to Boom Barriers	included in above cost	30/05/2008
14	Swan Marsh Rd, Pirron Yallock	Passive to Flashing Lights	$750,000	18/11/2007
15	Swan Marsh - Stoneyford Rd, Swan Marsh	Passive to Flashing Lights	included in above cost	18/11/2007
16	Dykes Rd (Settlement Rd), Stonyford	Passive to Flashing Lights	included in above cost	18/11/2007
17	Station St, Garvoc	Passive to Flashing Lights	$800,000	13/02/2008
18	Sampsons Ford Rd, Garvoc	Passive to Flashing Lights	included in above cost	13/02/2008
19	Inverleigh, Hamilton Hwy	Flashing Lights to Boom Barriers and Active Advanced Warning Signs	$500,000	
	20/01/2008			
20	Brislanes Rd, Murgheboluc	Passive to Flashing Lights	$740,000	22/06/2008
21	Barpinba - Poorneet Rd, Wingeel	Passive to Flashing Lights	included in above cost	22/06/2008
22	Duverney Rd, Duverney	Passive to Flashing Lights	$350,000	28/04/2008
23	Gnarpurt Rd, Lismore	Passive to Flashing Lights	$409,000	28/04/2008

Table 17.12: Road Crossing Upgrade Program

No	Location	Upgrade	Cost at Completion	Date in service
24	Derinallum, Vite Vite Rd	Passive to Flashing Lights	$350,000	4/02/2008
25	Vite Vite Rd, Vite Vite	Passive to Flashing Lights	$700,000	19/05/2008
26	Darlington - Carranballac Rd, Pura Pura	Passive to Flashing Lights	included in above cost	19/05/2008
27	Stawell, Sloane St	Flashing Lights to Boom Barriers	$390,000	16/03/2008
28	Jung, Wimmera Hwy	Flashing Lights to Boom Barriers and Active Advanced Warning Signs	$575,000	29/03/2008
29	Queen St (Nhill-NetherbyRd), Nhill*	Flashing Lights to Boom Barriers	$500,000	24/02/2008
30	Old Ballarat Rd, Talbot	Passive to Flashing Lights	$275,000	12/03/2008
31	Dooleys Rd, Maryborough	Passive to Flashing Lights	$320,000	12/12/2007
32	Aerodrome Rd, Birchip	Passive to Flashing Lights	$330,000	26/03/2008

** Road crossing cost includes cost of DDA compliant passive pedestrian crossing upgrade*

Source: VicTrack response to the Committee's Financial and Performance Outcomes Questionnaire Part Two, p.10-11

Road Crossing Upgrades are part of a total on-going program. There is a budget allocation for the total program with unit costs monitored to ensure the overall budget is achieved. The critical aspect of the program is to ensure the rate of upgrade delivery is met. Target completion dates can vary considerably due to a range of factors including the design complexity of the site, the availability of signalling contractors and rail operational staff and the availability of test trains.

Priorities for road crossings delivered under the Level Crossing Upgrade Program are determined by the Victorian Railway Crossing Safety Steering Committee chaired by the Department of Transport through the ALCAM assessment process.

Ballarat – Ararat Crossing Safety Upgrades – this is a separate program to upgrade or close all 19 passive crossings in the North Ballarat – Ararat line following the introduction of the V/Locity services along this corridor in 2006.

Number of upgrades completed to the end of 2007/08 financial year is:

- Ballarat – Ararat Crossing Safety Upgrades: 4 (since 2007/08)
- Road crossing upgrades: 90 (since 1998/99) (+96 upgrades delivered under the Regional Fast Rail Program during 2005/06 and 2006/07)

17.4 A fairer society that reduces disadvantage and respects diversity

17.4.1 Addressing cultural diversity

Multicultural Advisory Unit

The Victoria Police Multicultural Advisory Unit was established in 1983 and is staffed by bilingual/bicultural unsworn and sworn personnel. The unit is responsible for:

- advising police on multicultural issues;
- cross-cultural training for police members; and
- providing information on the role of police to Victorians from culturally and linguistically diverse backgrounds.

(a) Question

The Police and Community Multicultural Advisory Committee (PACMAC) met monthly across metropolitan Melbourne in 2007-08. Please provide:

- details of the major outcomes of the Committee meetings during 2007-08;
- an account of the cultural representation on the Committee and the locations for meetings in 2007-08; and
- inform the Committee what consideration has been given to holding meetings in regional areas with growing multicultural populations.

Please explain the reason for relaunching the New and Emerging Community Partnerships Fund in 2008. Please provide details of the grants awarded in 2007-08 and provide a list of applications that did not receive funding and the reason why.

Victoria Police annually provides Arabic language training for police officers. Please outline the number of police officers who completed this training, the level of competency reached and the areas of Victoria Police in which they work. Please detail the response from the Arabic speaking community to this initiative.

Since 2005 Victoria Police has delivered cross cultural training that addresses the needs of police officers in relating with the Sudanese community. Please:

- identify the number of police officers whom have undergone this training and the areas of Victoria Police in which they work;
- outline of how the Sudanese community is engaged in designing and delivering this training; and
- detail the response from the Sudanese community, including quantifiable research evidence.

Response

During 2007-08, PACMAC continued to advance a number of issues previously identified by the Committee. These included:

- the safety and wellbeing of International Students residing in Victoria;
- the accessibility to learner driver programs for refugee young people; and
- positive engagement between police and new and emerging communities.

Outcomes from issues raised at PACMAC during 2007–2008, include:

- supported Region 5 in appointing an additional Multicultural Liaison Officer to the region;
- provided ongoing advice and assistance to the Metropolitan Fire Brigade (MFB) in their setting up of a PACMAC-style committee within the MFB;
- facilitated dialogue and assisted in easing tensions between local police and the Muslim community in Region 3 after an incident involving the attendance of police at the Preston Mosque;
- initiated the establishment of a committee to address issues affecting the Pacific Islander community in the north and western metropolitan areas of Melbourne. The committee has since convened a community forum for members of this community, and are currently working to advance issues of disengagement affecting young males of Pacific Islander background; and
- developed the concept, and assisted with the advancement of the translation of the Victoria Police Strategic Plan 2008-2013, into 24 languages.

During this period PACMAC additionally provided ongoing support and advice to Victoria Police, particularly through the Multicultural Advisory Unit and regional Multicultural Liaison Officers.

During 2007-08, membership of PACMAC included representatives of the following organisations:

- Victoria Police;
- Victorian Multicultural Commission including VMC Commissioners from diverse cultural backgrounds;
- Department of Human Services;
- Victorian Cooperative on Children's Services for Ethnic Groups;
- Islamic Council of Victoria;
- Islamic Women's Welfare Council of Victoria;
- Centre for Multicultural Youth;
- South Central Region, Migrant Resource Centre;
- Office of Police Integrity;
- Northern Region Migrant Resource Centre;
- Ethnic Communities Council of the South East;
- Adult Migrant Education Services;
- Ethnic Communities Council of Victoria;
- Migrant Resource Centre, Westgate Region;
- Diversitat, Migrant Resource Centre, Geelong; and
- Equity Unit, Metropolitan Fire Brigade.

During this period monthly PACMAC meetings were held in the following metropolitan locations:

Table 17.13: PACMAC meetings

2007		**2008**	
July	Springvale	February	Williamstown
August	Footscray	March	Preston
September	Preston	April	Collingwood
October	Box Hill	May	Melbourne (Adult Migrant Education Services)
November	Melbourne (Victoria Police Centre)	June	Springvale

Source: *Victoria Police response to the Committee's Financial and Performance Outcomes Questionnaire Part Two, p.8*

Across the 2007-08 period, PACMAC meetings were convened in a range of locations across the Melbourne metropolitan area. Meeting locations and venues are arranged by way of nomination by organisations represented on the Committee. Maintaining a membership that is diverse and ethnically contemporaneous means that meetings are usually convened in areas with both established and growing multicultural populations. While the majority of such locations are in metropolitan Melbourne, meetings have been held in Ballarat, Geelong and Shepparton in previous years.

In 2008 following a comprehensive evaluation, the New and Emerging Community Partnership Fund was relaunched. The Fund is a joint initiative of Victoria Police and the Victorian Multicultural Commission. It offers small grants to projects that meet an identified need within the community and contributes to enhancing relationships between new and emerging communities and their local police.

The success of the New and Emerging Community Partnership Fund throughout its first round of funding was the major reason for relaunching the program in 2008. The initial program saw the approval of funding for 34 projects during 2005 – 2006, for amounts ranging from $320 to $3,000.

Through the New and Emerging Communities Partnership Fund, Victoria Police has played a major role in both addressing the settlement needs of new and emerging communities and supporting their inclusion in the social fabric of the greater Victorian community. To this end, both Victoria Police and the Victorian Multicultural Commission fully supported the relaunching of the New and Emerging Community Partnership Fund in 2008.

Table 17.14: Funded Events

Grant application (Applicant and brief outline)	**Grant Awarded** ($)	**Non-awarding of grant** Please state reason
Community Connection Program – Application by Region 3, Multicultural Liaison Officer for two youth camps for young people from CALD backgrounds residing in the region. Camps aimed at supporting engagement with young people at risk.	3,000	
Pacific Communities Youth Forum – Application by Centre for Multicultural Youth to fund a forum for young people of Pacific Islander background in inner Melbourne.	(Request for $2,750)	Funds not awarded due to insufficient time to process application (application lodged 14 days prior to event). Encouraged to postpone event and re-apply with consideration to practical timelines.
Let's Talk Youth Camp – Application by to fund a youth camp for young people from Turkish background. Camp aimed at building relationships between police and potentially marginalised young people.	3,000	
Mozambique National Day Festival – Application from the President of the Mozambique Community in Victoria for funding to assist with staging of national day celebrations. To play a key role in building trust in Victoria Police with members of this newly arrived community.	2,580	

Source: *Victoria Police response to the Committee's Financial and Performance Outcomes Questionnaire Part Two, p.9*

The Victorian School of Languages has delivered Certificate 1 in Applied Language (Arabic) to approximately 30 Victoria Police members over the past two years. The Course will again be offered in 2009, and already over 40 members have expressed an interest in attending. In addition, discussions are currently underway with the Victorian School of Languages to develop a Certificate 11 Applied Language (Arabic) Course for members who have graduated from the Certificate 1 Course.

The part-time Certificate 1 Course runs for 6 months with one, four hour session delivered each week. The Certificate 1 Applied Language (Arabic) Course was developed specifically for Victoria Police members and focuses on language used in both a social and a law and order context.

Police members who have attended the course to date come from a range of workplaces, including: the Crime Department, Transit Police, Crime Stoppers, Dog Squad, Crime Themes Desk, Drug Task Force, Criminal Investigation Units, Force Response Unit, Sexual Offences Squad, Purana Task Force, the Multicultural Advisory Unit and various general duties police stations.

While no formal process has been undertaken to gauge the response of the Arabic community to this training, extremely positive feedback has been received by Victoria Police from a range of sources, including: the Victorian Multicultural Commission; the Multi-Faith Council; PACMAC; Victorian Arabic Social Services; and various Arabic and Islamic organisations.

The African/Sudanese Cross Cultural Advice Program is an initiative of the Region 5 Multicultural Liaison Unit (MLU) that was first rolled-out to local police members in early 2006. Since this time, demand for the training has steadily increased with requests from police across regions as well as external groups continually being received at the Unit. As a result, Region 5 Multicultural Liaison Officers continue to deliver the training on a regular basis to police members and external applicants.

Advice received from Region 5 Multicultural Liaison Officers confirms that while no detailed records of participants have been maintained, it is estimated that over 2000 Victoria Police members have received African/Sudanese cross cultural training. To date, training has been delivered to members performing a diverse range of duties, including: operational; transit; traffic; Crime Investigation Unit; Sex Offenders and Child Abuse Units; Prosecutions; and various levels of organisational management. Participants have come from a number of locations including: Dandenong; Springvale; Narre Warren; Cranbourne; Frankston; Morwell; Wonthaggi; Flemington; Carlton; and the Victoria Police Centre.

From an external perspective, over 5000 individuals in the multicultural service provision industry are deemed to have been trained to date. These individuals are employees of both government and non-government organisations, including: Department of Justice; Department of Immigration and Citizenship; Magistrates Courts; Centrelink; Hanover House; Salvation Army; Quantum CALD Services, Adult Migrant Education Services; Noble Park English Language School; Karingal Secondary College; and Melbourne Pathology. The African/Sudanese Cross Cultural Advice Program was developed following a lengthy period of engagement and consultation with long-settled members of the Sudanese community in the Region 5 area. Upon its development, and prior to endorsement, the training package was presented to the Sudanese community for assessment and comment. The training package received further input in 2007, following a study tour of Sudan by one of the Region 5 Multicultural Liaison Officers.

While Sudanese community members frequently attend training sessions and are encouraged to participate and offer comment, the program remains a Region 5 MLU initiative and is delivered by the Unit.

As neither an evaluation, nor a community survey of the training has yet been undertaken, it is not possible to provide a response to this question at this time. However, continued Sudanese community involvement in the training ensures it remains accurate, respectful and valuable to both police members and to the Sudanese community.

Committee comment

It was not clear from the agency response what the cultural representation at the PACMAC meetings was, with the majority of groups labelled broadly as 'Ethnic' or Migrant' groups. In a diverse cultural society, such narrow labels do not adequately reflect the differences in cultural representation.

Formal processes to assess responses to programs run by the Multicultural Advisory Unit are considered desirable by the Committee. These should include, formal responses from the Arabic community regarding the success of police using the Arabic language in dealings with the Arabic community and formal assessment of the success of the African/Sudanese Cross Cultural Advice Program amongst the African and Sudanese community.

Diversity amongst Victoria's older population

The Committee noted that according to the Productivity Commission, geographically, a number of states (in particular, Victoria) are likely to have relatively higher growth in culturally and linguistically diverse aged populations over time. In 2011, Victoria is projected to have the most diverse older population, with 30.8 per cent of its older population being immigrants from these backgrounds.

(b) Question

Please outline the measures taken in 2007-08 to ensure that appropriate aged care services were provided that recognise cultural differences between clients in terms of language barriers, belief systems, socio-economic status, histories and family and support systems.

What planning has taken place to address the forecast growing demand for appropriate aged care services that recognise diverse cultural needs?

Response

Home and Community Care program

The Home and Community Care (HACC) program provides funding for services which support frail older people, younger people with disabilities and their carers. These services provide basic support and maintenance to people living at home and whose capacity for independent living is at risk, or who are at risk of premature or inappropriate admission to long-term residential care. This program is funded jointly by the Australian and Victorian governments and supports over 250,000 frail older people and people with disabilities.

Equitable access to services by CALD communities has long been a focus of the HACC Program in Victoria for the reasons set out in the question. In Victoria there have been a number of significant responses aimed at improving access to HACC services by CALD communities, which have operated or affected service delivery during 2007-08. These include:

The Victorian HACC Program Expenditure Priorities Statements

These Statements, developed after close consultation with the HACC sector, guide the allocation of HACC growth funding over a three-year period. There have been two of these statements: 2003-06 and 2006-09, with the latter extending to 2011 to align with the recent development of a HACC National Planning Triennium. In both statements, improving services to CALD communities has been one of the three priorities. During 2007-08 the following applied:

2006-09 Priority 2:

Focus on enhancing access to HACC services and the quantity and quality of HACC Basic services for people from CALD backgrounds should be increased. Work should continue to develop linkages and raise cultural awareness between mainstream, multi-cultural and ethno-specific organisations.

The HACC Cultural Planning Strategy

This Strategy is a unique response to ensuring that HACC service providers meet the needs of people from CALD backgrounds through the use of the Cultural Planning Tool (CPT). Since 1997 all Victorian HACC service providers have been required to develop a strategy or action plan using the CPT. The Strategy underwent an evaluation in 2007-08, which has resulted in a number of recommendations to streamline and improve current practices and processes in order to ensure that more responsive services are provided.

HACC Access and Equity Program

Under this program, 31 projects across the state, resource service providers in their respective regions are tasked with submitting and implementing cultural action plans.

Access to Language services for HACC providers

The Department provides either direct funding or access to language service credit lines for all funded agencies. In 2007-08, the HACC program in Victoria substantially expanded recurrent funding for this service to ensure that all 500 HACC funded agencies have access to interpreting and translation services.

The Culturally Equitable Gateways Strategy (CEGS)

This Strategy, funded entirely by the Victorian Government, provided over $8 million from 1 January 2004 to 31 December 2007 to selected local governments, ethno-specific and multicultural agencies to develop more culturally sensitive HACC services to meet the needs of older people from CALD backgrounds and increase service usage. The major components of the Strategy included funding to:

- help ethno-specific agencies provide practical support to local councils for culturally appropriate services;
- help selected local councils provide more culturally friendly HACC services;
- support the recruitment of bilingual and multicultural staff to deliver HACC services; and
- improve the access of small and emerging ethnic communities to HACC services.

Data analysis of trends in HACC service usage by CALD communities indicated that rates of participation increased over the life of the Strategy and continues to improve.

The Strategy evaluation reported that all organisations reported positive outcomes from participating in the Strategy. Most reported that the Strategy had provided the opportunity to dedicate time and resources to enhance their HACC services or their community's understanding of the HACC service system. Two areas were described as producing the most positive outcomes:

- capacity building within the sector to provide culturally appropriate access; and
- partnership and relationship development between a variety of organisations and individuals.

Future Directions in Culturally Appropriate Access to Services

During the course of CEGS, concurrent work was undertaken on strategic directions in HACC assessment in Victoria. From the outset it was seen that the work undertaken in CEGS, particularly around CALD assessment and the support that CALD agencies provide to their communities to access services, would inform and influence overall work on HACC assessment and client care coordination. Therefore the overall focus of improving CALD access to HACC services into the future will be through implementing improvements in assessment for HACC services from December 2007. These improvements include:

- a 'living at home assessment' aimed at addressing all the issues that impact on a person's capacity to continue living independently at home; and
- developing a capacity to actively help people to gain access to services where they are unfamiliar with or anxious about the agencies that deliver services. This capacity is called supported access. Eight pilot projects have been funded in ethno-specific and multicultural agencies in Victoria from 1 January 2008 to test this concept.

Funding to ethno-specific and multicultural organisations to provide HACC services

In addition to the various strategies and projects listed above, the HACC program in Victoria recurrently provides over $12 million per annum in funding to 58 ethno-specific and multicultural agencies to provide culturally appropriate HACC services to CALD communities.

Aged Care Support Services

All Aged Care Support Services' policies, services and programs acknowledge the diverse needs of individuals and the requirement for differing ways to meet those needs.

The Falls Prevention Program funds Make a Move projects for HACC clients assessed as being at risk of falls. A number of these projects have a focus on CALD populations, especially in the North & West Metropolitan Region.

Supporting and assisting people with dementia - From 2007-08 to 2010-11, projects are being funded in all regions on dementia information and services for people from culturally and linguistically diverse backgrounds. In 2007-08, $145,000 was provided for partnership projects in Barwon South Western and North and West Region. The projects focus on sustainable initiatives to support and assist people with dementia and their families and carers from CALD backgrounds.

Supporting people in care relationships is another partnership initiative, from Well for Life, that is supporting people in care relationships and features a partnership of Yanada House, Darebin City Council and Northcote Aquatic Centre, in which people of diverse CALD backgrounds can use the Centre facilities while the person they care for is in respite at the Centre.

A position in Alzheimer's Australia Vic (AAV) is also funded to explore the needs of and develop support and services for CALD people.

17.4.2 Building community

Encouraging volunteering

Volunteering is considered an important ingredient for communities and is one sign of a healthy community. The Department of Planning and Community Development has provided funding for more than 1,000 volunteer groups.

(b) Question

Please provide details of the DPCD programs designed to encourage volunteering and the quantifiable success of these programs in both strengthening community and people involved, including expenditure and budget allocations:

Infrastructure such as libraries, Neighbourhood Houses and sport and recreation facilities provide access points for delivery of government programs designed to develop communities and centres for fostering volunteering. Please outline how in 2007-08:

- volunteering is supported through government programs delivered through community infrastructure; and
- volunteering is co-ordinated and measured, including the experience of volunteers and the clients of services provided.

Response

The Victorian Volunteer Small Grants Program has been operating since 2004. These grants of up to $5,000 provide direct investments into community organisations and are designed to:

- encourage community organisations to attract new volunteers from diverse backgrounds;
- create new volunteering opportunities;
- increase diversity amongst Victoria's volunteers and volunteer organisations; and
- improve capacity of small organisations to manage existing volunteer programs.

The 1000th grant was awarded in May 2008, bringing the total investment to $3.15 million. The grants were extended in 2007-08 with a further $4 million provided until 2011.

A review of the Victorian Volunteer Small Grants in 2007 provided both a quantitative and qualitative picture of the community outcomes of the grants (*Review of Victorian Volunteer Small Grants Program, DVC: March 2007*).

The quantitative analysis demonstrated that the distribution of the grants aligned with the objectives of the program, and was achieving its stated objectives. For the period reviewed (January 2005 – December 2006), a total of 6487 volunteers were recruited through 365 completed projects.

The qualitative evaluation supported this finding and also found that the grants have been successful in encouraging community organisations to attract new volunteers from diverse backgrounds, in creating new volunteering opportunities, and improving the capacity of small organisations to manage existing volunteer programs have achieved other significant community strengthening outcomes such as:

- building partnerships, relationships, networks and connectedness;
- learning and awareness;
- valuing volunteers and volunteering;
- benefits to individual volunteers; and
- represent for many recipients a 'small investment for a big return'.

A number of DPCD programs directed at community infrastructure also deliver support for volunteering, for example:

- Victorian Community Support Grants – require applicants to demonstrate the extent to which the project will encourage and utilise volunteer effort throughout the project, thus increasing the number and diversity of people volunteering in community organisations and activities;
- Neighbourhood House Coordination Program – guidelines require the establishment of a voluntary Committee of Management which is accountable and responsive to the community, and includes representation from the community, and the programs in Neighbourhood Houses provide a range of opportunities for local people to voluntarily contribute time and skills;
- Community Renewal (CR) and Community Building Initiative (CBI) – in both of these place-based programs, guidelines for investment indicate the crucial role of voluntary community involvement in planning and direction of projects;
- Community Facility Funding Program (SRV) – guidelines require applicants to demonstrate the extent to which the project involves volunteers and/or community members in the planning and implementation of the project and how their involvement will increase their skill base;
- Living Libraries Program – provides library infrastructure which encourages community participation;
- Where appropriate, final reports from recipients of grants demonstrate the extent of volunteer involvement. For example:
  - Neighbourhood House Coordination Program Outcomes Reports (6-monthly) require identification of the number of volunteers involved in the reporting period, the number of people on the voluntary Committee of Management for the reporting period, and the average number of volunteer hours for the period;
  - The Community Renewal and Community Building Initiatives regular reporting requirements include identification of the number of new and continuing volunteers involved for the period, and the total volunteer time (volunteer hours) for the period; and
  - Living Libraries requires from funded libraries an annual survey of the numbers of volunteers who participate in library activities.

Committee comment

The Committee noted that the Department of Planning and Community Development awarded 215 grants to community projects to encourage volunteering in 2007-08, more than doubling its target of between 90 and 120 grants.

The Committee considers that reporting on grants by departments is important and that the Department of Planning and Community Development should report more fully on grants in its annual report. More detailed reporting will provide enhanced transparency and accountability in regards to community development work. The Committee found that a better practice example of grant reporting can be found in the Department of Innovation, Industry and Regional Development's annual report.[467]

Recommendation 63: **The Department of Planning and Community Development review its grant reporting practices and implement enhanced reporting that will provide the public with greater detail, transparency and accountability for its community development work.**

Neighbourhood Renewal Program

The Neighbourhood Renewal program is designed to narrow the gap between disadvantaged communities and the rest of Victoria. The program brings together residents, governments, businesses and community groups. A 2005 review of the Neighbourhood Renewal Program found progress across renewal indicators was uneven with levels of resources and sustained action appearing to influence the extent of neighbourhood renewal.

(c) Question

With the program now moving towards completion, please outline:

- how the department addressed these two findings, including steps taken and/or program modification to ensure more even progress and distribution of resourcing and action (including budget allocation); and
- the measures of success used to assess these steps/modifications and quantifiable outcomes.

Please detail any subsequent reviews and outline any significant report findings.

Response

Neighbourhood Renewal has reinforced efforts to address these areas as follows:

Improving health and wellbeing

Detailed health and wellbeing guidelines have been developed to link renewal activity to government priorities for health promotion and target initiatives through whole of government agreements. Achievements to date include:

- 17 projects promoting physical activity;
- 19 community kitchens (operating and in development) and 8 community garden;
- establishment of support groups, women's groups, men's groups/men's sheds, youth groups and volunteer groups; and
- over 50 festivals, community and cultural events.

[467] Department of Innovation, Industry and Regional Development, Annual Report 2007-08, Appendix 13, pp.134-169

Improving the local economy

Neighbourhood Renewal has supported local enterprise developments to provide intermediate labour market opportunities and stimulate local economic activity. Seventeen Employment and Learning Coordinators link local economic activity and job creation opportunities to local residents. Achievements to date include:

- over 35 community enterprises delivering over 130 jobs and training opportunities per annum; and
- over 5,000 jobs created.

Levels of resourcing and sustained action in labour market participation

Neighbourhood Renewal has worked in partnership with other government departments to prioritise employment and training opportunities for residents through the Community Jobs Program, Work Force Participation Program, Public Tenant Employment Program, Community Enterprise, development of local employment hubs and job shops, IT projects and supporting local economic activity through Employment and Learning Coordinators. To ensure that communities continue to thrive, Neighbourhood Renewal is implementing a Mainstreaming Strategy to embed the key elements of Neighbourhood Renewal into the core business of State and Local Governments.

Neighbourhood Renewal is finalising a second evaluation report. Preliminary analysis indicates that the initiative is narrowing the gap between some of the most disadvantaged communities and the rest of the State. Key findings measured across the 15 more mature projects include:

- 50 per cent resident participation in Neighbourhood Renewal steering committees;
- a 4 per cent reduction in the unemployment rate from 17 per cent in 2001 to 13 per cent in 2006;
- over 7,000 housing works have been completed to improve housing conditions;
- over 100 community infrastructure and urban design projects have been undertaken;
- a 12 per cent reduction in total crimes was recorded from 2001-02 to 2006-07; and
- residents involved in Neighbourhood Renewal reported a 14 per cent improvement in self rated health.

17.4.3 Social housing

Improving and expanding social housing

The Department of Human Services Departmental Plan 2007-08 outlined the plan to spend $500 million acquiring 1,550 new social housing units and upgrading 2,300 public housing units.

(a) Question

The Committee noted that the Human Services Ministers drew attention in the Department's annual plan to the significant boost of $500 million provided in 2007-08 to expand and improve social housing. With a priority therefore to expand the supply of social housing, how has the Department performed in terms of meeting the following targets:

- acquiring 1,550 social housing units; and
- upgrading 2,300 public housing units?

If these targets were not achieved, please provide the reason(s) and any contributing factors.

Response

The funding boost of $500 million forms the base of the asset acquisition program for 2007-08 to 2010-11. Of these funds, $300 million has been allocated to generate growth in social housing through registered Housing Associations. A target of 1,550 units was set for this four-year program.

At the end of the 2007-08 financial year, 353 units had been achieved against the 1,550 target with expenditure of some $111 million (average cost of $314,448 per unit). Expenditure and unit delivery against the program plan is being monitored closely and the targets are expected to be achieved by the end of the 2010-11 financial year. The target of 2,300 public housing unit upgrades was included in Budget Paper No.3 as part of Housing Assistance outputs for 2007-08. A total of 2,436 major upgrades were actually completed.

Victorian Property Fund

A $50 million grant from the Victorian Property Fund (VPF) for additional public housing contributed to a 58.1 per cent variance over the target output for protecting consumers within the Department of Justice portfolio.

(a) Question

Please detail the reasons for a lack of performance measures for public housing within this output category. Please detail how this grant was invested, including details of refurbishment, new properties and comparative geographical expenditure data. Please also indicate the rationale for public housing being located within the 'protecting consumers' output.

Response

Consumer Affairs Victoria (CAV) is responsible for the administration of the *Estate Agents Act 1980*, including the Victorian Property Fund (VPF), and grants made from the VPF.

Money for the VPF is sourced from:

- interest earned on licensed real estate agents and conveyancer trust accounts; and
- interest earned on investments and licence fees paid by agents and conveyancers.

Section 76(3)(g) of the *Estate Agents Act 1980* provides for the Minister for Consumer Affairs to make grants from the Victorian Property Fund (VPF) for:

> *projects providing or facilitating housing assistance for low income or disadvantaged Victorians*

In the 2007/08 State budget the Government provided $200 million grant ($50 million per year over four years) through an application to the Victorian Property fund for an additional 800 new public housing units across Victoria. This growth in public housing is to be targeted to disadvantaged and low-income Victorians.

The Office of Housing (OOH) is part of the Department of Human Services, and is responsible for output delivery and associated performance reporting for the new public housing initiative.

The grant from the VPF to the Department of Human Services was for the provision of 800 new public housing units across Victoria in accordance with Section 76(3)(g) of the *Estate Agents Act 1980*.

Under the terms of the funding agreement, the OOH is required to report to CAV on the number of units acquired, their value, and their location when making an annual claim for payment. The location of the units is determined by the OOH in accordance with its Asset Management Strategy, 2007-08 to 2010-11.

As outlined in the response in part (a) above, under Section 76(3) (a) to (h) of the *Estate Agents Act 1980* the Minister for Consumer Affairs is empowered to make grants from the VPF. CAV is responsible for the administration of the Act, and grants made from the VPF. Because the grants program funding mechanism was used for this budget allocation for public housing, the funding appears under the 'protecting consumers' output.

Committee comment

The cross-over between two departments appears to have led to some confusion in performance reporting. Work should be undertaken collaboratively between the relevant departments and agencies to clarify and enhance the budget paper reporting with regard to the Victorian Property Fund.

Further, the VPF grant was for 800 new public housing units across Victoria. The Department stated that the Office of Housing is required to report the number, value and location of housing 'units' to Consumer Affairs Victoria annually when claiming funding. However, the Department did not provide the Committee with information pertaining to the geographical distribution of the grant as requested despite being provided this information by the Office of Housing as a requirement of grant funding.

17.4.4 Early childhood intervention services

Early Childhood Intervention Services provides a range of services and support for children with a developmental delay or disability and their families. The 2007-08 annual report from the Department of Education and Childhood Development reported that 85 per cent of families surveyed were satisfied with the services provided by the Department – meeting the department's target.

(a) Question

- How many families were sampled and what proportion of all families did this sample represent?
- What was the response rate?
- Is the 85 per cent survey result based on all families surveyed or only those that responded?
- What were the main reasons for dissatisfaction?
- What action has the Department taken (or intends taking), if any, to address the main reasons that families were dissatisfied with the service provided?

Response

The Department has developed 'Guidelines for asking service users about their satisfaction with services'.

All Early Childhood Intervention Services (ECIS) providers are required to collect data on service user satisfaction across many areas of service delivery.

There are many ways in which users are sampled and many ways in which the questions may be asked. Providers have a choice about the way they undertake the task and the degree of complexity which they use. User surveys may be undertaken:

- at intervals and with varying levels of detail; and
- during the service or at the conclusion.

Providers may choose to undertake a sample or a census survey. Individual service providers determine the most appropriate feedback mechanism taking into account demographic features of the client base.

All ECIS providers are monitored against performance measures detailed in departmental output statements and against targets specified for the activity in service agreements.

The Department does not record the number of families sampled. This information is held by the individual ECIS provider.

The 85 per cent survey result is based on the families who responded.

Specialist Children's Services Program Standards require all providers to document feedback generated from the family and incorporate this into the service's annual planning and review process.

Furthermore, a key tenet of service delivery is family centred practice underpinned by a family service and support plan. This plan is developed in collaboration with families and is reviewed regularly throughout the family's involvement with the service. Therefore, family satisfaction is monitored on an ongoing basis. This is in addition to the yearly client satisfaction performance measure.

While the Department does not hold specific responses to client satisfaction surveys, information is regularly sought from the Department's regions to assist planning and quality assurance.

Based on this feedback common themes appear to be:

- waiting times for early childhood intervention;
- cost of travel to access services for remote families;
- difficulty in rural regions to provide a range of services due to recruitment issues; and
- the need for a greater range of service delivery options to respond to varying needs of families and children.

The Victorian Government has allocated:

- $23.9 million for extra ECIS places to deliver direct support for around 1000 more children. The Department has implemented 500 additional places in 2008-09 and a further 500 places will be implemented in 2009-10;
- $3.3 million for an additional 150 Kindergarten Inclusion Support Services packages has been provided to help children with very high and complex needs to participate in a mainstream kindergarten program. Fifty additional packages were made available in 2008-09, 25 additional places will be available in 2009-10, a further 25 additional places will be available in 2010-11 and 50 additional places in 2011-12;
- $1.8 million has been provided for the development of an ECIS workforce strategy which involves up-skilling the workforce, recruiting and retaining workers across the state with a particular focus on rural areas, supporting specialised post graduate training and mentoring programs. Applications for these scholarships are currently being processed; and
- increased staffing in central intake - three Equivalent Full Time (EFT) in 2008-09, and a further three EFT in 2009-10 to reduce waiting times.

The Department has also undertaken the ECIS reform project to review the adequacy of early childhood intervention, demand pressures, funding arrangements, transitions and linkages and workforce development. The Department is also implementing a range of quality improvement initiatives including:

- more flexible service options for families waiting to access ECIS;
- improved parent information resources to support transition from kindergarten to school and for parents of children with a hearing impairment;
- more flexible approaches to service delivery responding to the diverse needs of children and families; and
- Autism Secondary Consultation and Training Strategy to provide professional support to workers across universal early childhood services.

Committee comment

The Committee notes the Victorian Government's allocation to additional funding, staff and places available in 2009-10 for ECIS. The Committee, however, has concerns regarding the ways in which the 85 per cent level of satisfaction with service delivery has been determined. From the above information provided by the Department, there are a number of weaknesses in the survey approach, namely:

- providers undertake the client survey, resulting in potential conflicts of interest or untruthful answers given by users;
- providers can determine the way in which questions are asked, therefore questions are not standard and are not comparable across ECIS providers; and
- providers can determine how they wish to sample their users, which has the potential to result in a sample size that is not statistically reliable.

Given the weaknesses above, the Committee is unable to determine how the Department can calculate an overall satisfaction result, given that determining overall satisfaction would need to take into account the sample sizes and would require uniformity in questions asked. The Department should consider how it can address the identified weaknesses in its survey approach, given that it is reported in the Department's annual report.

Recommendation 64: **The Department of Education and Early Childhood Development improve its survey process to provide more robust and reliable data for annual reporting purposes with regards to the delivery of early childhood intervention services.**

CHAPTER 18: VIBRANT DEMOCRACY

Key Findings of the Committee:

18.1 **The Community Cabinet program, which was extended in 2007-08 allowing wider community participation, resulted in a broad range of issues being raised by participants that included matters relating to public transport, roads, health, planning, community services, education, water and drought, the environment, sport and recreational facilities, youth retention and skills. The reporting of outcomes connected with this program could, in the opinion of the Committee, be improved.**

18.2 **In the hospital sector, accountability would be enhanced if 'Activity Performance' reporting in annual reports was supplemented with targets (where applicable) and prior year comparative figures.**

18.3 **The combined net operating surplus of Victoria's public hospitals for 2007-08 before capital items, depreciation allowances and other specific items was $29.5 million (2006-07, combined surplus of $2.6 million). Fifty six of the 87 hospitals (64 per cent) reported a net surplus for 2007-08. Hospitals and the Department of Human Services should examine processes for evaluation and possible support of those hospitals that did not achieve a breakeven position in 2007-08.**

18.4 **Since the beginning of 2008, current tenant rental arrears associated with the provision of social housing reduced by $2.2 million (2 per cent) to mid November 2008 due to the introduction of improved debt recovery procedures.**

18.5 **A revised Risk Management Framework for the Department of Human Services is expected to be released in mid 2009. An independent review of the Department's Risk Management Framework identified various improvement areas which included concise and relevant risk management reporting.**

18.6 **In the interests of strengthening financial management governance and oversight, the Committee is of the view that the inclusion of the results of internal audit activity for the year would be a useful addition to material contained in annual reports of public sector agencies, together with the status of action taken by agencies pertaining to the implementation of internal audit recommendations.**

18.7 **The Victorian Managed Insurance Agency's investment performance over the financial year 2007-08 was -7.19 per cent (before fees), which equates to an investment decline of $82 million. Large falls in equity markets were the primary driver of the negative fund returns. Notwithstanding this decline, the Agency is estimated to have achieved an average 5.6 per cent real return over this period, which is above the Agency's investment objective of CPI plus 4 per cent per annum over five years.**

18.8 **The introduction of regular internal file reviews by the Victorian Managed Insurance Agency in December 2007 contributed to a reduction in open claims against the Public HealthCare Program and the General Government Program by 24 per cent and 11 per cent respectively for 2007-08.**

Overview

18.1 Introduction

Vibrant Democracy is the fourth *Growing Victoria Together* vision examined by the Committee in this year's Financial and Performance Outcomes Report.

18.2 Linkage of issues examined to the *Growing Victoria Together* visions

This chapter contains outcome-related comments pertaining to 16 issues. As well as serving to enhance accountability, the Committee believes that this information will engender discussion and provide a springboard for follow-up as part of the Committee's impending inquiry into the 2009-10 Budget Estimates.

The Committee asked a range of questions to departments and agencies in relation to the Vibrant Democracy vision. These questions, and the relevant department or agency responses, are detailed in full, with supporting commentary from the Committee where it considers appropriate. Issues selected by the Committee for examination aligned to the *Growing Victoria Together* goals cover the following topics relevant to Vibrant Democracy.

Greater public participation and more accountable government

- Department of Premier and Cabinet - Extension of the Community Cabinet program in 2007-08; and
- Melbourne Health - 'Activity Performance' reporting

Sound financial management

- Department of Human Services:
  - 2007-08 financial results for the hospital sector;
  - social housing – debt recovery procedures; and
  - improvements to the Department's risk management framework.
- Melbourne Health:
  - turnaround in financial result for 2007-08;
  - increase in private practice fees;
  - reduction in the expense item 'supplies and consumables'; and
  - internal audit recommendations.
- Department of Treasury and Finance - implications of the net financial result for the State for 2007-08;
- Treasury Corporation of Victoria:
  - unrealised losses in 2007-08;
  - operational risk management plans; and
  - debt forecasts.

- Victorian Managed Insurance Agency:
  - effect of the downturn in global investment markets;
  - timeliness of claims handling; and
  - internal audit – action taken.

18.3 Department of Premier and Cabinet

18.3.1 Extension of the Community Cabinet program in 2007-08

(a) Question

The Community Cabinet program was extended in 2007-08.[468] Please detail the response from public participants to both these changes and the experience of participation in the Community Cabinet program, including levels of satisfaction and suggested changes to the program.

Please indicate how knowledge gained through Community Cabinets has been utilised to shape government policy and contribute to the responsibilities of departments and agencies.

Please document the cost of the Community Cabinet program, including the average cost of each visit.

Response

Participants expressed a high degree of satisfaction with the new Community Cabinet program. In particular, participants greatly appreciated the opportunity to talk informally with Ministers at their tables and the opportunity to ask any question of the Premier and Cabinet Ministers. This is reflected in the feedback from participants. Of those who responded, 85 per cent were satisfied with the revised program, 15 per cent were neutral, with no-one expressing dissatisfaction with the program. Feedback on the 2008 program also indicates an increase in the number of people attending to specifically participate in a community event or attending to raise a social issue.[469]

A broad range of issues were raised by participants during 2008 including; public transport, roads, health, planning, community services, education, water and drought, the environment, sport and recreation facilities, youth retention and skills.

All Ministers, their advisers and senior departmental officers gained knowledge and a greater understanding of the issues of importance to the community and utilised this information as appropriate to inform their policy decision-making.[470]

Community Cabinet is an integral part of the core functions of the Department in supporting the Premier as Head of Cabinet. The supporting processes are delivered from within existing budgets and delivered as part of the Strategic Policy Advice and Projects output.

The costs associated with each visit are spread across each of the Ministers' departments so it is not possible to determine an average cost.[471]

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468 Department of Premier and Cabinet, *Annual Report* 2007-08, p.10

469 Department of Premier and Cabinet, response to the Committee's Financial and Performance Outcomes Questionnaire, received 12 March 2009 - Part Two, p.10

470 ibid.

471 ibid.

Committee comment

The Committee noted that the Community Cabinet program comprised two metropolitan Community Cabinet visits and 10 regional visits in 2007-08, with an average of 60 community meetings held each visit, together with a range of site visits and other activities.[472]

The Committee believes that demonstrable outcomes derived from Community Cabinet visits across metropolitan and regional Victoria, in relation to the impact that feedback received from local communities has had on decision-making and policy formulation, should be measured and disclosed in the Department's annual report. Consideration should also be given to the incorporation of a quantitative performance measure in the budget papers relating to the number of meetings expected to be held in undertaking the Community Cabinet program.

Recommendation 65: **The Department of Premier and Cabinet disclose in its annual report, outcomes associated with the Community Cabinet program in terms of informing decision-making and influencing policy formulation.**

Recommendation 66: **The Department of Premier and Cabinet consider including a new performance measure and target in the budget papers relating to the numbers of meetings to be held as part of the visits conducted by the Department of Premier and Cabinet under the Community Cabinet program.**

18.4 Melbourne Health

18.4.1 'Activity Performance' reporting

(a) Question

Please present a comparison of the information disclosed in the 'Activity Performance' section of the Annual Report against the:[473]

- Targets for 2007-08; and
- Actuals for 2006-07.

Response

Targets are set for Total Weighted Inlier Equivalent Separations (WIES) and Total Victorian Ambulatory Classification System (VACS).

472 Department of Premier and Cabinet, *Annual Report* 2007-08, p.10
473 Melbourne Health, *Annual Report 2007-08*, p.5

Actuals for 2006-07 are shown in the following Table against actuals and targets for 2007-08.[474]

Table 18.1 Activity Performance 2007-08 vs 2006-07

	Acute		Subacute		Mental Health		Total		Target
	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2007-08
Activity Performance									
Separations									
Sameday	74,239	76,978	9	5	0	0	74,248	76,983	n/a
Multiday	26,112	27,640	1,539	1,548	3,695	4,366	31,346	33,554	n/a
Total Separations	**100,351**	**104,618**	**1,548**	**1,553**	**3,695**	**4,366**	**105,594**	**110,537**	**n/a**
Emergency	25,927	27,595	2	1	3,695	4,366	29,624	31,962	n/a
Elective	74,424	77,023	1,546	1,552	0	0	75,970	78,575	n/a
Other inc. Maternity	0	0	0	0	0	0	0	0	n/a
Total Separations	**100,351**	**104,618**	**1,548**	**1,553**	**3,695**	**4,366**	**105,594**	**110,537**	**n/a**
Total WIES	63,171	66,097	0	0	0	0	63,171	66,097	65,323
Total Bed Days	214,918	222,177	43,596	43,799	151,415	150,323	409,929	416,299	n/a
Non-Admitted Patients									
Emergency Department Presentations	54,873	55,423	0	0	0	0	54,873	55,423	n/a
Outpatients Services – Occasions of Service (VACS and Non-VACS clinics)	217,182	201,931	40,488	29,969	372,306	428,687	629,976	660,587	n/a
Total occasions of service	**272,055**	**257,354**	**40,488**	**29,969**	**372,306**	**428,687**	**684,849**	**716,010**	**n/a**
Victorian Ambulatory Classification System (Number of Weighted Encounters).	136,406	137,609	0	0	0	0	136,406	137,609	127,720

Source: *2006-07 and 2007-08 Annual Report for Melbourne Health* under the heading *'Activity Performance'.*

Notes:

1) *Targets are only set for Total WIES and for Total Victorian Ambulatory Classification System (VACS)*
2) *Variance greater than 10% but not statistically relevant*
3) *Variance greater than 10% but not statistically relevant*
4) *Number of occasions of Subacute Outpatient Services decreased due to….*
5) *Number of Mental Health Emergency Multiday Separations increased due to…….*
6) *Number of occasions of Mental Health Outpatient Services increase due to……*

(b) Question

Please provide comment on the reasons for any variations of more than 10 per cent between performance for 2007-08 compared to targets as well as performance achieved in 2006-07.

[474] Melbourne Health, response to the Committee's Financial and Performance Outcomes Questionnaire Part Two, received 18 February 2009, pp.6-7

Response

There were no variances greater than 10 per cent in Melbourne Health's overall activity performance. Variances within Melbourne Health, including increased Mental Health Emergency Multiday Separations and increases in the number of occasions of Mental Health Outpatient Services, were a response to significant improvement activities within Mental Health.[475]

Committee comment

The Committee is of the view that health services such as Melbourne Health would become more accountable if information reported in relation to 'Activity Performance' for a reporting period was supplemented with targets (where applicable) and prior year comparative figures.

Recommendation 67: **To enhance accountability, health services disclose as part of their activity performance reporting regime, information relating to targets, where applicable, and prior year figures.**

Sound financial management

18.5 Department of Human Services

18.5.1 2007-08 Financial results for the hospital sector

(a) Question

Supporting hospitals to improve efficiency and control costs is one of the Department's priorities for 2007-08. One of the Department's targets is for a breakeven financial result for the hospital sector to be achieved in relation to 2007-08.[476]

What outcomes were achieved against this target for 2007-08? In responding to this question, please include the following details:

- the percentage of hospitals that achieved a breakeven financial result for 2007-08;
- the best performing hospitals in terms of exceeding a breakeven financial result by more than 10 per cent in 2007-08 (please include the financial result for each hospital); and
- a listing of those hospitals that did not achieve a breakeven financial result in relation to 2007-08 (please include the financial result for each hospital).

Response

The information requested by the Committee is derived from agency Annual Reports tabled before Parliament in October 2008. The combined net operating surplus of Victoria's public hospitals for the 2007-08 year was $29.5 million, well up on the combined surplus of $2.56 million the previous year – with 56 of the 87 hospitals (64 per cent) reporting a net surplus. The $29.5 million represents the hospitals' financial result as reported before capital items, depreciation allowances and other specific items.

475 Melbourne Health, response to the Committee's Financial and Performance Outcomes Questionnaire Part Two, received 18 February 2009, p.7

476 Department of Human Services, *Departmental Plan 2007-08*, p.24

Three hospitals reported a surplus greater than 10 per cent of revenue from continuing operations before capital and specific items.

The three hospitals were Kooweerup Regional Health Service ($1.044 million or 11.98 per cent), Numurkah and District Health Service ($1.628 million or 14.59 per cent) and Timboon & District Health Care Service ($1.372 million or 25.99 per cent).[477]

Agencies that recorded a net operating deficit before capital items, depreciation allowances and other specific items are as below.

Table 18.2: Agencies that recorded a net operating deficit

Agency	Deficit $'000
Alpine Health	(117.0)
Barwon	(3,157.0)
Bass Coast (Wonthaggi and District Hospital)	(407.0)
Bayside	(2,822.0)
Beechworth Hospital	(233.0)
Boort District Hospital	(75.0)
Calvary Health Care Bethlehem Ltd	(138.0)
Cobram District Hospital	(4.0)
Cohuna District Hospital	(53.0)
Djerriwarrh Health Services	(16.0)
East Wimmera Health Service	(54.0)
Heywood & District Memorial Hospital	(32.0)
Kilmore & District Hospital	(146.0)
Kyneton District Health Service.	(123.0)
Lorne Community Hospital	(117.0)
Mansfield District Hospital	(580.0)
McIvor Health & Community Services	(223.0)
Melbourne	(641.0)
Mercy Public Hospitals Inc	(895.0)
Mt Alexander Hospital	(406.0)
Nathalia District Hospital	(6.0)
New Latrobe Regional Hospital	(1,601.0)
Northeast Health (Wangaratta)	(861.0)
Northern	(3,306.0)
Portland & District Hospital	(43.0)
Rochester & Elmore District Health Service	(93.0)
South West Healthcare	(351.0)
Southern	(2,469.0)
St Vincent's Hospital (Melbourne)	(719.0)
Tallangatta Hospital	(216.0)
Wodonga Regional Health Service	(1,184.0)

Source: Department of Human Services, response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, pp.54-55

[477] Department of Human Services, response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, received 25 February 2009, p.54

Committee comment

The Committee acknowledges that the Department has exceeded its target for a breakeven end of year financial result in aggregate terms across the hospital sector. However, given that 31 agencies incurred a net operating deficit before capital items, depreciation allowances and other specific items for the year ended 30 June 2008, the Department should evaluate the effectiveness of strategies aimed at hospitals in association with achieved efficiencies and control costs.

Recommendation 68: **Hospitals and the Department of Human Services examine whether processes need to be refined for hospitals that did not achieve a breakeven financial outcome for 2007-08.**

18.5.2 Social housing – debt recovery procedures

(a) Question

In terms of measures implemented to improve the viability of the social housing system, please describe the improved debt recovery procedures that have been introduced in 2007-08.[478]

Please quantify the outcomes achieved as a result of the introduction of these procedures.

Response

The Department strongly pursues all outstanding rent to minimise loss of revenue and assist tenants to manage their financial obligations in a responsible manner. The key feature of debt management is prevention through early intervention. As most public housing tenants are in receipt of low incomes, they are generally more able to resolve their rental debt if it is identified and managed at an early stage.

In May 2008, fixed rents for tenants were introduced. This measure means tenants can earn additional income without it affecting their rent for up to 26 weeks. To simplify the process of fixing tenants' rents, the initiative also involved introducing automated income confirmation through Centrelink. Specifically:

- new and transferring tenants with poor payment history are required to sign up to Centrelink's direct debit rent deduction scheme as a condition of offer of future tenancy; and
- new tenants are visited within six weeks of tenancy commencement, and all other tenants at least once every three years, and at the point of escalation of their rental arrears.

The Social Housing Advocacy and Support Program also assists to address the intensive tenancy support needs for new tenants identified as 'at risk' of accruing arrears.

In March 2008, the Rental Arrears Project Team (RAPT) was implemented to support and train regionally-based staff in arrears recovery along Best Practice Principles.

The Vacated Tenancy Accounts Branch continues to recoup vacated arrears once a tenancy is terminated as per the Executive Arrears Package.

478 Department of Human Services, *Departmental Plan 2007-08*, p.24

The percentage of public housing tenants paying rent by direct debit has increased to 70.2 per cent during 2007-08. Tenants who fall into rental arrears are able to make arrangements to repay the debt in affordable instalments. From January 2008, rental arrears levels began to decrease. Since the beginning of 2008 current tenant rental arrears reduced by $2.2 million (2 per cent) to mid November 2008.[479]

18.5.3 Improvements to the Department of Human Services Risk Management Framework

(a) Question

Given that a priority for the Department of Human Services for 2007-08 was for Risk Management Framework improvement areas to be identified and a key target for the Department was for the Framework to be reviewed by December 2007:[480]

- was this target met;
- what areas for improvement were identified; and
- what is the status of implementing improvements to the framework?

Response

This target was met in 2007 and the Department's Risk Management Framework was independently reviewed.

Key areas for improvement identified included:

- making risk management a stronger component of business planning;
- management and staff to have a better understanding of their roles and responsibilities in relation to risk management;
- continuous review of risk registers for consistency, accuracy and completeness; and
- concise and relevant risk management reporting.

The Risk Management Framework is currently being revised to reflect the improvements made, and the revised Framework is expected to be released in mid 2009. The improvements are being made through a phased approach and it is anticipated that approximately two thirds of the recommendations to be addressed by the end of 2008-09 and the remaining recommendations in 2009-10.[481]

Committee comment

An update on risk management practices in the public sector is contained in Chapter 4 of this report.

479 Department of Human Services, response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, received 25 February 2009, p.55

480 Department of Human Services, *Departmental Plan 2007-08*, p.24

481 Department of Human Services, response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, received 25 February 2009, p.56

18.6 Melbourne Health

18.6.1 Turnaround in financial result for 2007-08

(a) Question

What were the main factors that contributed to the improvement in the net result from a deficit of $10,777,000 in 2006-07 to a surplus of $18,901,000 for 2007-08?[482]

Response

The net result figures cited are surplus and deficit after capital and depreciation adjustments.[483]

The main factors contributing to the $29,678,000 improvement (Net Surplus/(Deficit)) are as follows:[484]

- capital purpose income increased by $22,159,000. These were primarily State and Commonwealth Government Grants (refer Melbourne Health *2007-08 Annual Report pages .54-55*);
- depreciation and amortisation expense increased by $7,307,000 (refer Melbourne Health *2007-08 Annual Report page 65*); and
- operating result increased by $12,687,000 (refer Melbourne Health *2007-08 Annual Report page 44*), principally due to increased revenue through improved practices and higher activity levels (i.e.WIES – Weighted Inlier Equivalent Separations) as well as an organisation-wide approach to improved stock management, human resource management including rostering, purchasing and contracting practices and tighter controls on the use of consumables and motor vehicles.

18.6.2 Increase in Private Practice fees

(a) Question

In relation to 'Services Supported by Health Services Agreement', what factors led to the increase in the item 'Private Practice Fees' from $7,941,000 in 2006-07 to $16,484,000 in 2007-08.[485]

Response

Up until March 2007, private patients' radiology work was undertaken by an external provider (Tress & Associates) in partnership with Melbourne Health. This business was acquired by Melbourne Health outright in 2007 and, as a result, all radiology private practices work is now invoiced directly by Melbourne Health which also contributed to the improvement in operating result (refer 19.7.1 above).[486]

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482 Melbourne Health, *Annual Report 2007-08,* pp.5 and 44

483 Melbourne Health, response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, received 18 February 2009

484 ibid.

485 Melbourne Health, *Annual Report 2007-08,* p.6

486 Melbourne Health, response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, received 18 February 2009

18.6.3 Reduction in the expense item 'Supplies and Consumables'

(a) Question

With regard to 'Services Supported by Hospital and Community Initiatives', how was Melbourne Health able to achieve a reduction in expenses relating to the item 'Supplies and Consumables' from $27,708,000 in 2006-07 to $4,535,000 in 2007-08.[487]

Response

This has resulted from a change in accounting treatment for external supply agreements between 2007-08 and 2006-07.

Melbourne Health has a number of supply agreements with external entities (i.e. Royal Women's Hospital, Royal Children's Hospital, Healthscope, Freemasons and the Eye & Ear Hospital). In 2006-07 supply goods 'ordered' by these external entities were expensed in specific Melbourne Health parent Specific Purpose Fund cost centres (with the revenue received from these entities also allocated to these Specific Purpose Fund cost centres – this is observable in Note 2 Revenue of the 2007-08 Annual Report under External Supply Agreements where there is a comparable off-setting variance).

In 2007-08, these transactions were recorded in 'external entities' accounts which sit outside of the Melbourne Health Consolidated Structure.[488]

18.6.4 Internal audit recommendations

(a) Question

In relation to recommendations made by internal audit during 2007-08, how many were accepted, accepted in part and rejected?

Please disclose this information according to each internal audit, outlining the reasons why recommendations were rejected.

487 Melbourne Health, *Annual Report 2007-08*, p.7

488 Melbourne Health, response to the Committee's Financial and Performance Outcomes Questionnaire - Part Two, received 18 February 2009

Response

The following internal audits were conducted during 2007-08:

Table 18.3: Internal Audit Recommendations

		Number of Audit Recommendations			
Internal Audit Report	**Date**	**Total Number**	**No. Accepted**	**No. Accepted in part**	**No. Rejected**
Review of Private Practice Arrangements	Oct-07	11	10	-	1
Review of Fund Raising Activities	Dec-07	6	6	-	-
Review of Cash Handling	Apr-08	5	5	-	-
Risk Management Follow Up Review	Apr-08	2	2	-	-
Review of WIES Revenue and Other Revenue	May-08	11	10	-	1

Source: Melbourne Health, Response to the Committee's Financial and Performance Outcomes Questionnaire – Part Two.

Only two recommendations from the Internal Audits conducted during 2007-08 were rejected. Details are as follows:

(i) Review of Private Practice Arrangements:

The Internal Audit recommendation to reopen the existing private practice fund arrangements to new members was rejected because a management steering committee developed a range of newer and more flexible private practice arrangements that satisfied the requirements of all stakeholders.

(ii) Review of WIES Revenue and Other Revenue:

Management rejected the Internal Audit recommended approach to calculation of monthly WIES revenue accruals, on the basis that the newly adopted (and documented) approach resulted in fewer monthly fluctuations, and hence a more stable and representative result. It should be noted that the same result is achieved at financial year-end.[489]

Committee comment

The Committee is of the view that inclusion of the results of internal audit activity for the year would be a useful addition to material contained in annual reports of public sector agencies. Disclosure of material such as this would serve to strengthen financial management governance and oversight over the internal audit function throughout the public sector and enhance the status and profile of internal audit.

Recommendation 69: **The Department of Treasury and Finance require agencies to disclose details relating to internal audit activity in their annual reports, together with the status of action taken by agencies pertaining to the implementation of internal audit recommendations.**

489 ibid.

18.7 Department of Treasury and Finance

18.7.1 Implications of the net financial result for the State for 2007-08

The Committee noted that the State achieved a negative net result (including transactions and economic flows) of $3,107 million in 2007-08 (surplus of $7,668 million, 2006-07), while the General Government Sector achieved a negative net result (including transactions and economic flows) of $1,876 million in the year (surplus of $5,307 million, 2006-07).[490]

The Auditor-General reported that the negative results for the year, which were attributed to the weaker performance of financial and equity markets, included realised losses of $379 million.[491]

(a) Question

Please provide a breakdown of the result incurred in 2007-08 according to the financial instruments affected.

What was the impact of the net result on the delivery of government programs in 2007-08?

What was the impact of the net result on the achievement of planned outcomes in 2007-08?

Response

Realised losses on financial investments largely relate to portfolio losses for the Transport Accident Commission ($107.7 million) and the Victorian WorkCover Authority ($334.8 million). While a detailed breakdown by financial instrument has been requested from agencies, it has not yet been received by the Department, as it has to be compiled by a number of external fund managers who manage the portfolios under the direction of the Victorian Funds Management Corporation. It will be forwarded to the Committee once it is available.

It is the net result from transactions which reflects the drivers of government service delivery and, as shown in the Annual Financial Report, this measure recorded a surplus in excess of $1 billion for both the Whole of State and General Government Sectors.

Deficits in the net result do not affect the levels of service delivery in the year in which they are recorded. Rather they are the bottom line result of actual outcomes and therefore reflect service delivery and revenue policies, rather than drive them.

The net result has an impact on the measured value of the State's Balance Sheet, particularly estimates of the size of the State's net asset position. However, as the vast bulk of the losses reflect unrealised losses (i.e. reflecting valuation changes being applied to the stock of financial assets, or changes in the valuation of the superannuation liability), there is as yet no reason to adjust government policies and service delivery to make up these losses, as they could equally become unrealised gains as asset values recover, as anticipated over time.

As outlined above, the net result does not affect the achievement of planned outcomes. Rather, it reflects the impact of actual outcomes, plus the 'unplanned' movements arising from movements in financial markets through the financial year after the Budget is announced.492

490 Victorian Auditor-General, *Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2007-08*, p.2

491 ibid.

492 Department of Treasury and Finance, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two, received 20 March 2009, pp.12-13

18.8 Treasury Corporation of Victoria

The Committee noted that the Treasury Corporation of Victoria's (TCV) investment portfolio does not contain any exposure to sub-prime or low documentation housing loans, Collateralised Debt Obligations or other derivative credit instruments.[493]

According to the Chairman and Managing Director of TCV, having such a strong portfolio has insulated TCV from the worst of the financial asset repricing over the reporting period. The Committee observed that despite this, TCV's results reflected an unrealised 'market-to-market' revaluation loss on the investment portfolio as a result of the market repricing of financial assets.[494]

The Committee notes that, while the reported loss for the financial year of $945,000 can be attributed to extraordinary market circumstances, the Chairman and Managing Director stressed in the Annual Report for 2007-8 that this is an unrealised loss.[495]

18.8.1 Unrealised losses in 2007-08

(a) Question

In terms of the exposure of TCV's investment portfolio to market repricing, please summarise TCV's policy position when it comes to risk exposure and the associated risk management processes in place to minimise the risk of unrealised losses being converted to realised losses some time in the future.

Response

The TCV Board of Directors is the governing body of TCV. The membership of the Board and the details of Directors are outlined in the annual report. The Board meets monthly to review operations reporting that encompass extensive risk metric (including credit risk) and revenue material. The risk material and policy is formulated by an independent (independent of the dealers/transacting unit) business unit at TCV (Middle Office) reporting directly to the Managing Director. The accounting results are completed by the financial reporting area reporting to the Chief Finance Officer and then to the Deputy Managing Director so also independent of the dealers.

The Prudential Supervisor (KPMG) reviews the risk metric and revenue material in line with the TCV Prudential supervision policy which accords closely with Australian Prudential Regulation Authority and audited by an independent prudential auditor.

That is the overall risk and financial management framework operation at a high level. Specific decisions on transactions are managed within a comprehensive limit framework and reported accordingly to the Board.

In terms of specific comment on the unrealised loss, these losses will be realised if the instruments are sold or the counterparty defaults.

The counterparties dealt with are the highest end of the credit spectrum and the likelihood of default relatively low. The transactions themselves are envisaged to be held until maturity so hence the confidence the unrealised loss will not be realised.

This process is reviewed on a constant basis in the manner described above.[496]

493 Treasury Corporation of Victoria, *2007-08 Annual Report*, p.3
494 ibid.
495 ibid.
496 Treasury Corporation of Victoria, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two, received 12 January 2009

(b) Question

In relation to the items that relate to realised and unrealised market movements of financial assets and financial liabilities shown in Note 3 to the financial statements,[497] please provide a financial breakdown according to the following for 2008 compared to 2007:

- realised as distinct from unrealised market movements; and
- the particular financial assets and financial liabilities involved in each asset and liability item.

Response

TCV accounts for all financial instruments at fair market value through profit and loss. The accounting policy and related accounting standards do not require disclosure of realised versus unrealised accounting profits. This is because the realisation of the financial instruments on balance date should provide the same result as that declared.

TCV runs a number of portfolios and, in managing its risks position, will trade financial assets and liabilities between portfolios. From an external point of view, these transactions do not produce realised profits or losses. Practically however, to manage accounting at a portfolio level, they do create realised profits and reset values for the purposes of determining unrealised profits. Given external reporting requirements (as discussed above) this is of no consequence. In attempting to answer the Committee's query, however, it means a breakdown between realised and unrealised profit is not available.

The statement that 'TCV's results reflected an unrealised 'market-to-market' revaluation loss is supported by the very limited trading in financial instruments that occurred after market conditions caused a diminution in fair market values.

18.8.2 Operational risk management plans

In terms of operational risk, the TCV states that operational risk is defined as the risk of indirect or direct loss resulting from inadequate or failed internal processes, people and systems or from external events. After regularly mapping and evaluating its operational risk profile, and assessing the likelihood and consequence of identified risks, plans are then developed to manage these risks and actions monitored on a quarterly basis. [498]

(a) Question

Please outline the extent to which external events have impacted on the development of operational risk management plans for the TCV.

Response

The operational risk framework is reviewed annually in light of the current risk environment and reported to the Board quarterly as specific reports are completed over the year. The operational risk framework is supplemented by the enterprise risk assurance register which forms the basis of the audit planning process annually.

External events over recent times have not led to the identification of new risks as both registers are extensive. Recent events will, however, alter the risk weighting of specific risks.[499]

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497 Treasury Corporation of Victoria, *2007-08 Annual Report*, p.40

498 ibid., p.26

499 Treasury Corporation of Victoria, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two, received 12 January 2009

18.8.3 Debt forecasts

TCV has revealed in its Annual Report for 2007-08 that general government net debt is expected to increase from $A2.3 billion at 30 June 2008 to $A9.5 billion at 30 June 2012. As a proportion of Gross State Product, net debt is expected to remain at low levels, increasing from 0.9 per cent of Gross State Product at 30 June 2008 to 2.9 per cent of Gross State Product at 30 June 2012. The TCV points out that this expected projected net debt of 2.9 per cent of GSP remains below the 30 June 1999 level of 3.0 per cent.[500]

(a) Question

In view of the global financial crisis and associated economic factors, does the TCV have any expert opinion on whether there is likely to be any variation to these forecasts? Please explain.

Response

TCV takes the forecasts of DTF and the participating authorities to work out the TCV funding plans which are correspondingly then updated on a regular basis through the year. The regularity of update is a function of the materiality of the size of the funding involved.

We do not have any further input to existing forecasts.[501]

18.9 Victorian Managed Insurance Agency

18.9.1 Effect of the downturn in global investment markets

(a) Question

It is mentioned in the Chief Executive Officer's report contained in the 2007-08 Annual Report that the 'downturn in global investment markets in 2007-08 directly impacted on (the) financial performance'. [502]

Please describe and clarify specific impacts on the Victorian Managed Insurance Agency's (VMIA) financial performance in 2007-08 and risk management strategies in place to mitigate potential adverse impacts on financial performance in worsening investment markets.

Response

VMIA's investment performance over the financial year 2007-08 was -7.19 per cent (before fees), which equates to an investment decline of $82 million. Large falls in equity markets were the primary driver of the negative fund returns. The negative return for 2007-08 should be viewed in the context of Australian equities over the past five years to 30 June 2008. Following 4 years of strong investment returns, balanced funds have suffered a negative year in 2007-08. Notwithstanding this decline, VMIA is estimated to have achieved an average 5.6 per cent real return over this period, which is above the VMIA investment objective of CPI plus 4 per cent per annum over five years.

As with the other State insurers, the VMIA is required to use the services of the Victorian Funds Management Corporation (VFMC) to manage its investments. Under the centralised model, the VFMC is obliged to prepare and submit to the Department of Treasury and Finance an Iinvestment Risk Management Plan (IRMP) detailing investment management activities for each client pertaining

500 Treasury Corporation of Victoria, *2007-08 Annual Report*, p.18

501 Treasury Corporation of Victoria, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two, received 12 January 2009

502 Victorian Managed Insurance Authority, *2008 Annual Report*, p.8

to the objectives set by the clients. To mitigate investment markets risks, VFMC considers the following factors when it prepares an IRMP:

- avoiding concentrated exposures, which individually could not have a significant impact on investment returns when adversely affected by external shocks, and in combination result in common factor risks or result in strongly correlated losses in period of crisis.
- following a policy of diversification – both across asset classes and within any individual asset class.
- hedging to protect the value of assets and liabilities against any significant decline in investment markets.[503]

18.9.2 Timeliness of claims handling

(a) Question

In the response to the Financial and Performance Outcomes Questionnaire sent by the Committee in relation to 2006-07, VMIA had identified a number of measures, which were introduced in late 2006-07 designed to improve the claims handling efficiency and to promote the early and cost effective resolution of claims.[504]

Please outline the following:

- the overall effectiveness of the improvements noted during 2007-2008 in relation to the timeliness of claims handling, broken down by claims categories (e.g. catastrophic, adverse, moderate etc);
- the performance measures developed to measure this expected improvement and efficiencies; and
- whether the targets set for these performance measures were met during 2007-2008.

Response

Measures to improve claims handling efficiency focussed on introducing regular and thorough file claims management and file review processes to optimise the efficient assessment, review and resolution of claims. The following measures were introduced during 2007-08:

Public HealthCare Program (PHP)

Whilst the number of claims raised in the PHP portfolio remains high, the ongoing high level of claims closure activity on PHP claims (catastrophic and non-catastrophic) has resulted in an overall reduction of open claims by 24 per cent since December 2007. This improvement in claims management reflects the introduction of regular internal file reviews that commenced in December 2007.

503 Treasury Corporation of Victoria, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two, received 12 January 2009

504 Victorian Managed Insurance Authority, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part Two, received 20 March 2009, pp.2-3

Claims settled have increased by 13 per cent since December 2007 and the average number of months between claim lodgement and settlement has reduced by 0.15 months. This now brings the average settlement time for a PHP claim to below 12 months and reflects improvements introduced during 2007-08; in particular case/legal panel reviews are operating more effectively to actively promote early resolution.

The average cost estimate on all claims files in the Medical Indemnity (MI) portfolio has increased (by 12.9 per cent) compared to December 2007, however this reflects the current reserving philosophy of ensuring that estimates are being set earlier and monitored.

General Government Program (GGP)

Claims raising activity in the GGP portfolio have reduced marginally (by 5 per cent) since December 2007. The ongoing high level of claims closure activity has resulted in an overall reduction of open claims by 11 per cent for the same period. This improvement reflects the introduction of regular internal file reviews that commenced in December 2007.

Actively promoting early settlement resolution has resulted in the overall number of settled claims increasing by 20 per cent compared to December 2007.

The measures introduced by VMIA to improve claims performance include implementing a rigorous internal process, a proactive external provider management program and improving the monitoring and reporting of claims by type. New claims lodged and claims settled are reported and compared on a monthly and quarterly basis to actuarial projections and past performance. Higher value claims and older long tail claims are monitored by senior management and the Board as per the delegation of authorities, to ensure the current processes are effective and efficient.[505]

18.9.3 Internal audit/risk management and compliance recommendations – Action taken

(a) Question

In relation to recommendations made by the internal audit/ risk management and compliance division during 2007-08, how many were accepted, accepted in part and rejected?

Response

An annual internal audit program comprising compliance and performance reviews was undertaken during 2007-08. There were a total of 24 internal audit findings with recommendations presented to VMIA's Audit and Risk Committee. All of the recommendations were accepted in full and have been or are in the process of being implemented.[506]

505 ibid., pp.3-4
506 ibid., p.4

SECTION D: OTHER

CHAPTER 19: REVIEW OF ANNUAL REPORTS OF DEPARTMENTS AND AGENCIES

Key Findings of the Committee:

19.1 **Overall the Committee was reasonably satisfied with the level of compliance of annual reports with the *Financial Management Act 1994* and the *Standing and Financial Reporting Directions of the Minister for Finance*.**

19.2 **Departments in particular, have continued to make improvements to the non-financial reporting practices in their annual reports. The Committee was particularly pleased to note the improvements made in the reporting of budget output measures.**

19.3 **For the second year running, the Committee has identified a high level of non compliance with the Occupational Health and Safety reporting requirements of FRD 22B. Only the Departments of Education and Justice fully complied with these requirements.**

19.4 **There was a low level of compliance, among the non-departmental government agencies, with *Financial Reporting Directions* covering workforce data disclosures (FRD29) and the Victorian Industry Participation Policy (FRD 25).**

19.5 **While the standard of reporting by the selected non-departmental government agencies has shown improvement from 2006-07, the Committee identified a number of instances where agencies failed to comply with certain aspects of the *Financial Reporting Directions*.**

19.6 **Reporting of performance in annual reports could be improved through better use of historical and benchmarking data and by including detailed analysis and explanations of the data provided. Most department and agency annual reports provide only basic performance data and very limited discussion of performance.**

19.7 **Few annual reports effectively and clearly linked performance to corporate goals and objectives, budget output measures and *Growing Victoria Together* visions. The Committee had previously recommended that government departments and agencies integrate output performance data throughout the report rather than separating them into an appendix.**

19.8 **Similar to its 2006-07 finding, the Committee identified that that few agencies had fully applied the guidelines in the Department of Treasury and Finance *Model Annual Report* to the development of their annual reports, leading to highly variable structures and styles which often lacked purpose.**

19.9 **The quality of annual reporting has risen over the last four years, however, most government departments and agencies could improve their annual reports by adopting some of the better practices identified by the Committee from the department and agency annual reports reviewed in the last two years.**

19.1 Introduction

Annual reports are an important mechanism for the provision of open and accountable government. An annual report should provide accessible information regarding performance, resource expenditure and service delivery, from which the reader can gauge the efficiency and effectiveness of government departments and agencies.

Public sector annual reports are required to comply with the *Financial Management Act 1994* and the *Standing Directions* and *Financial Reporting Directions* (FRD) issued by the Minister for Finance. The *Financial Management Act 1994* requires that the annual report of government departments and public sector agencies include a report of operations and financial statements. *Standing Directions* and FRDs detail requirements for providing general information about operations and performance and an assessment of results and financial position.

The presentation of performance reporting is a separate aspect of annual reports, providing information on outcomes from the previous year's operation against prior established performance indicators and where applicable, an account of departmental performance in executing the Government's budget.

Following an extensive review of the annual reports encompassing eight FRD's in the 2006-07 report, the Committee has this year focused on four FRD's and the reporting of performance outcomes and outputs.

19.2 Review criteria

The Committee has selected review criteria that focus upon:

- financial performance;
- position and results of the Victorian Government;
- performance of government departments and agencies in executing the State budget; and
- the Government's *Growing Victoria Together* visions.

Departments and agencies must meet legislated requirements for reporting specific information and this is reviewed as compliance with reporting requirements. However, when it comes to presentation of performance reporting, departments choose the form of presentation, including how the reporting of performance outputs is incorporated.

An assessment of compliance with selected reporting requirements and the format and content of performance reporting are the basis of the Committee's review of annual reports.

19.2.1 Compliance with the Financial Management Act 1994, the Standing Directions and Financial Reporting Directions of the Minister for Finance

Departments and agencies are required to produce annual reports that comply with legislated and government directions. Based on the findings of the 2006-07 Outcomes report, the Committee has selected four FRD's to assess compliance of government departments and transport related public sector agencies (a different agency focus will be used in next years report).

While departmental compliance was assessed against all four FRDs listed below, the remaining agencies have only been assessed against the final three:

- FRD 12A - Major Contracts;
- FRD 22B - Standard Disclosure in the Report of Operations;
- FRD 25 – Victorian Industry Participation Policy Disclosures in the Report of Operations; and
- FRD 29 - Workforce Data Disclosure.

19.2.2 Performance reporting

The reporting of department or agency performance is the interpretation of output data and project and program outcomes. As such, performance reporting needs to be accessible, balancing detail with context while providing accurate and sufficient reporting of the year's activities.

Unlike legislated reporting requirements, performance reporting varies widely from department to department and between agencies. To review performance reporting the Committee used the criteria outlined below to assess how successfully annual reports integrate aspects of performance reporting. Additionally the Committee assessed how annual reports report performance in the context of *Growing Victoria Together*.

The Committee, in reviewing the various approaches taken to performance reporting, used the following reporting expectations that annual reports include:

- performance against the departmental output targets specified in the State budget and provide clear and detailed explanations for variations from these targets;
- an effective and detailed review of a department or agency's performance which identifies and provides detailed analysis of performance against milestones, outcomes and budget targets for significant projects and programs;
- historical performance information as a context for assessing the relative performance of a department or agency. The Committee considers a minimum of at least three years worth of historical data (where available) as necessary for comparative analysis of performance;
- clear and detailed explanations where actual performance varies significantly from the target or the previous years result, including the identification and explanation of the factors that caused the variance and the implications of this in a department or agency's ability to achieve the related output/objective; and
- accessible interpretation of performance data with reference to the intended outcomes. To effectively communicate performance, annual reports should clearly identify and report performance against the goals and objectives established in corporate plans.

19.3 Summary of findings

19.3.1 Compliance with the Financial Management Act 1994, Standing Directions and Financial Reporting Directions of the Minister for Finance

Overall, the Committee was satisfied with the level of compliance from departments and agencies in relation to the requirements of the *Financial Management Act 1994*, SDs and FRDs of the Minister for Finance. Eighteen agencies were reviewed and of these: 10 were departments and seven were transport related agencies.

Of the departmental annual reports reviewed, it was clear that the disclosures had improved from last year. The Committee noted improvements in all annual reports reviewed in relation to organisational charts and the summary of financial information (as required by FRD 22B). The information contained in the Report of Operations of both departments and agencies generally complemented the information presented in the financial statements.

The overall standard of reporting by non-departmental government agencies also improved. However, Committee analysis identified instances where agencies had failed to comply with certain aspects of the FRDs.

The Committee notes that the area of greatest concern regarding annual reports, in the *Report on the 2006-07 Financial And Performance Outcomes*, was in relation to the reporting of Occupational Health and Safety matters (as required by FRD 22B). The 2006-07 inquiry found that only two departments (Department of Education and Early Childhood Development and Department of Justice) had complied fully with this reporting direction.

This year, the disclosures made were only marginally improved – whilst the majority of departments had included a statement on Occupational Health and Safety, only 3 departments had good disclosures in this area. The remaining departments generally included high level information on Occupational Health and Safety policies but failed to mention the performance indicators adopted to monitor such matters or outline the agency's performance against any such indicators. Results for agencies were similar to that for the departments, with all agencies having some information on high level Occupational Health and Safety policies, but none including detailed information on performance indicators or performance against these indicators.

The 2006-07 Outcomes report included the recommendation:[507]

> *That all government agencies identify and report against the full range of performance indicators adopted to monitor Occupational Health and Safety matters, in future annual reports.*

The Government agreed with this recommendation and noted that:[508]

> *Current and future Model Reports for Victorian government departments will require that departments disclose Occupational Health and Safety Information in their annual reports.*

The Committee is disappointed that this has not resulted in a greater level of compliance with this element of FRD 22B.

Recommendation 70: **All government agencies identify and report against the full range of performance indicators adopted to monitor Occupational Health and Safety matters as per the requirements of FRD 22B. The *Department of Justice Annual Report 2007-08 Appendix G* provides an excellent example of the type of clear and detailed response to this requirement the Committee expects to see.**

There was a lack of clarity regarding reporting of consultancies valued in excess of $100,000, as required by *FRD 22B - Standard Disclosures in the Report of Operations*. For five out of the 17 departments and agencies reviewed, it was unclear as to whether the amounts reported for these consultancies included GST despite this being a clear requirement of the Direction. Furthermore, there were inconsistencies in the reporting of the expenditure for the reporting period and total approved project fees for these consultancy arrangements.

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507 Public Accounts and Estimates Committee, *Report on the 2006-07 Financial and Performance Outcomes*, May 2008, p.666, recommendation 74.

508 Victorian Government, *Government's response to the PAEC report No.79, 2006-07 Financial and Performance Outcomes, p.50.*

Recommendation 71: **All departments and government agencies identify and report individually on each consultancy arrangement greater than $100,000 as per the requirements of FRD 22B. The Department of Human Services Annual Report 2007-08 page 170 provides an excellent example of the type of clear and detailed response to this requirement the Committee expects to see.**

The Committee's review of annual reports for non-departmental government agencies covered three key reporting directions – these being FRDs 22B, 25 and 29. Of the 7 agencies reviewed, the Committee identified that all had failed to address one or more aspects of *FRD 29 - Workforce Data Disclosures*. Furthermore, four agencies provided only the total aggregated number of staff.[509] This issue was also identified in the 2006-07 Outcomes report, where only 27 per cent of agencies assessed fully addressed this Direction. This is a very low level of compliance in relation to this Direction and is still of considerable concern to the Committee. FRD 29 includes detailed information about the minimum reporting requirements, and also provides sample tables to illustrate how the information could be presented. The *Victorian Auditor-General's Office Annual Report 2007-08* provides an excellent example for all smaller government organisations on how to present workforce data.[510]

Recommendation 72: **All government agencies annually review their reporting responsibilities in relation to the *Financial Management Act 1994*, the *Standing Directions and Financial Reporting Directions of the Minister for Finance*, and put in place controls to ensure that all relevant requirements are addressed fully. The Victorian Auditor-General's Office Annual Report 2007-08, page 41-44, provides an excellent example for all smaller government organisations on how to present workforce data.**

Other areas of concern that were noted from the Committee's review of annual report disclosures included:

- *FRD 22B – Disclosures in the Report of Operations (consultancies)* – 3 departments did not report clearly on all aspects of the FRD in relation to consultancies – they only provided general aggregated information;
- three out of the seven agencies assessed failed to fully comply with the disclosure requirements of *FRD 25 – Victorian Industry Participation Policy, Disclosures in the Report of Operations.*[511] It was noted that the majority of agencies included details on the total number of contracts (and amount) at an aggregated level, but did not include any information on the regional/metropolitan split, or information on local content, employment and skill/technology transfer commitment. Whilst the rate of compliance had improved slightly since the previous year, the Committee is still concerned with the level of non-compliance with essential aspects of this reporting Direction.

509 V/Line, Southern and Eastern Integrated Transport Authority, Southern Cross Station Authority, VickTrack provided only aggregated staff numbers

510 Victorian Auditor-General's Office, *Annual Report 2007-08*, pp.41-44

511 V/Line, VicRoads, VicTrack failed to comply fully with FRD 25.

19.3.2 Performance reporting

A variety of approaches were taken to performance reporting in the annual reports reviewed by the Committee. In assessing the quality of performance reporting the Committee focused upon:

- the integration of numerical reporting of performance outputs with narrative accounts of works undertaken and their outcomes;
- the quality of reporting within the context of the Government's *Growing Victoria Together* vision; and
- the completeness of reporting including provision of historical performance data.

Within an annual report, the presentation of performance data should allow the reader to easily understand the relevance and importance of the data. The most accessible and effective means of doing this involves integrating the performance data with commentary and analysis about the results in relation to the organisation's goals and objectives.

The extent to which performance data was integrated with corporate goals and objectives and with the *Growing Victoria Together* visions varied among reports, as did the level and quality of the commentary. The Committee was pleased to see some departments and agencies using innovative features to enhance performance reporting. While there were some good overall examples of performance reporting, there remains room to improve in 2008-09.

Three approaches were taken to reporting output data and details of performance outcomes. The Committee considers the most successful approach to be that where report chapters fully integrate output performance data within the broader commentary around the achievement of goals and objectives. This approach presents the best opportunity to ensure adequate explanations for variations in performance are provided. In most cases where this approach was used, there was scope for more detailed reporting on project and program outcomes.

The second approach presented output performance data in an initial chapter with commentary and discussion in subsequent chapters. This approach makes the output performance data accessible, but the lack of a clearly established link between the data and commentary of subsequent chapters can make analysis of the performance data difficult.

The third approach involves locating output data in the appendices after the financial report. This has the effect of burying the data in among ancillary information, making it more difficult to locate and associate the output performance data with the relevant commentary in the Report of Operations.

Recommendation 73: **Government departments and agencies integrate output performance data and details of performance outcomes within Report of Operations chapters based on high level goals and objectives or *Growing Victoria Together* visions in their 2008-09 annual reports. The Department of Education and Early Childhood Development *Annual Report 2007-08* provides an excellent example of this approach.**

None of the annual reports reviewed stands out on its own as an ideal example of what a government department or agency annual report should look like. However, most were of a high standard and all provided at least a modest attempt to objectively analyse and report the performance of the department or agency involved. A combination of the best features from each of the annual reports reviewed would produce an accessible, detailed and critical account of performance outcomes. Some of the reporting highlights include:

- clear and consistent page formats throughout the report (Department of Education and Early Childhood Development);
- clear explanation and use of strategic objectives to illustrate performance in context (Department of Human Services and Department of Justice);
- identification of future priorities as a conclusion to performance reporting (Department of Planning and Community Development);
- graphic indicators of performance:
  - colour coding performance as positive, stable and negative (Department of Sustainability and Environment); and
  - upward and downward arrows indicating performance trends (V/Line).

However, the Committee found that the standard of reporting of historical data and the identification of performance targets beyond budget output performance measures was either mixed or largely absent. These two reporting aspects are vital if an annual report is to provide credible analysis of a department or agency's performance and a high level of accountability is to be demonstrated to Parliament and the Victorian public. The Committee would like to see all departments and agencies improve their reporting in these two important areas next year and recommends that the Minister for Finance further develop the FRDs to increase the quality and consistency of performance reporting in annual reports along the lines indicated in this chapter.

If departments intend to present performance information in appendices to the report, the Committee considers it prudent that they consider making use of electronic mediums such as CD or DVD to present the financial statements and appendices, thus minimising paper consumption and the consequent environmental impacts.

Recommendation 74: **The Minister for Finance further develop the *Financial Reporting Directions* to enhance the quality and consistency of performance reporting in annual reports including:**

(a) a requirement to report detailed performance outcomes linked to corporate objectives and performance measures, and *Growing Victoria Together*;

(b) the inclusion of three years of historical performance data in all reporting (where available); and

(c) guidelines for the incorporation of useful and acceptable graphic indicators of performance.

19.3.3 Timeliness of Reporting

All Government departments and entities are required by the *Financial Management Act 1994* to make their annual report available to Parliament within four months, or 18 weeks, of the end of the financial year to which they relate. Of the 10 departmental annual reports reviewed by the Committee, all were tabled on the last sitting day prior to the deadline, in this case 30 October.

The Committee's New Directions in Accountability, Preliminary Report identified that:

> *better practice in other jurisdictions, in relation to the timeliness of reporting the financial results of individual agencies to Parliament, is within three months of the end of the financial year. Sweden, British Columbia, New Zealand and Western Australia have this benchmark.*

Table 19.1 compares the date that the Auditor-General issued his opinion on the financial statements with the date of tabling for departments in 2008.

Table 19.1: Annual Report tabling dates 2007-08

Department / Agency	Auditor-General's Opinion Issued	Annual Report tabled in Parliament	Elapsed Time (Days)
Education and Early Childhood Development	5/09/2008	30/10/2008	55
Human Services	9/09/2008	30/10/2008	51
Innovation, Industry and Regional Development	8/09/2008	30/10/2008	52
Justice	25/08/2008	30/10/2008	66
Planning and Community Development	8/09/2008	30/10/2008	52
Premier and Cabinet	18/08/2008	30/10/2008	73
Primary Industries	25/08/2008	29/10/2008	65
Sustainability and Environment	26/08/2008	30/10/2008	65
Transport	29/08/2008	30/10/2008	62
Treasury and Finance	23/09/2008	30/10/2008	37
Average Period between Opinion and Tabling			**58**

Source: Public Accounts and Estimates Committee

Table 19.1 reveals that all departmental annual reports were tabled in Parliament on either the second last or last sitting day before the deadline established in the *Financial Management Act 1994.*

The average time delay between the Auditor-General issuing his opinion on the financial statements and the annual report being tabled in Parliament was 58 days. The Department of Premier and Cabinet had the longest time delay (73 days) while the Department of Treasury and Finance produced their Annual Report within 37 days.

Departments advised the Committee that the sign-off of financial statements is only one element of preparation for tabling annual reports, and that regardless of the timing of this sign-off, this time is also necessary for preparing the other statutory reporting items, writing, editing, approval, production and printing of the final product.

While the Committee accepts that time is required to complete the Report of Operations and the various other statutory reporting items, development and design work and some of the non-financial information can be prepared prior to the year end. It is the Committee's belief that when presented a deadline, departments and agencies will work exclusively towards that deadline. In the case of tabling annual reports, the Committee believes that were the deadline to be foreshortened, departments would be capable, as in other worldwide jurisdictions, of preparing their annual reports for tabling within three months of the end of the financial year. The Committee also notes that public companies are required to report within three months of the end of the financial year.

In 2008, Parliament sat on 10 separate days across September and October, providing ample opportunity for annual reports to be tabled before the 30 October deadline. In 2009, as Parliament will sit on six separate days in September and three in October it is the desire of the Committee that departments and agencies table their annual reports within three months of the end of the financial year.

This issue will also be considered in the Committee's *New Directions in Accountability report*, due to be tabled in 2009.

Recommendation 75: **All departments and agencies table their annual reports within three months of the end of the financial year.**

19.4 Detailed findings of review

19.4.1 Department annual reports

Department of Education and Early Childhood Development

The Department of Education and Early Childhood Development annual report is a good example of integrated reporting. The format used is concise and the presentation clear and consistent. However, further use of comparative data would provide the opportunity for more credible and data supported reporting.

Financial and performance outputs formed the core reporting focus. Statistical information was presented in one chapter, which included brief comments next to each output measure explaining reasons for variations. Subsequent chapters addressed major reporting categories with details of key programs and projects underpinning these output targets. While the Committee considers the Department's presentation of target based performance reporting to be amongst the most effective, it would like to see statistical data integrated within the relevant chapters.

Despite the use of extensive comparative data when reporting on *Growing Victoria Together* targets (seven years) the Department has only included data from the previous year for comparison on both financial and performance output reporting. This restricts the scope for critical analysis. The Committee considers that the addition of comparative data to the 2008-09 annual report will improve on its already high standard of reporting.

Highlights of the Annual Report include:

- identified links to *Growing Victoria Together*;
- integrated reporting on financial and performance output reporting; and
- clear presentation.

The Committee would like the Department to consider adopting of the following points in future Annual Reports:

- provide a minimum three years of historical data wherever possible; and
- incorporate further detailed critical assessment of performance.

Department of Human Services

The health sector accounted for 27 per cent of the Victorian Government's budget in 2007-08.[512] The difficulty faced by the Department of Human Services, as the department responsible for health services, is that this large amount of budget allocation means a large amount activity to be reported. Consequently, the Annual Report suffers from brevity when compared with other departments. The Committee identified a strong focus on reporting program and project highlights with insufficient focus placed on performance reporting.

512 Victorian Budget Overview 2007-08, p.10

The six objectives of the Department's long term strategy form the basis of the Annual Report, with separate chapters based on each objective. The Department uses a four page annotated index for these chapters which is a constructive approach to addressing the quantity of information it has to report.

The report is segmented into chapters addressing departmental objectives, with performance data located in the appendices. The Committee would like to see greater alignment and integration of financial and performance output reporting with the departments identified objectives.

A further highlight of the Department of Human Services Annual Report is the *Responding to Diversity* appendix. This outlines achievements in reducing inequality and significantly, identifies strategies for the forthcoming year.

Highlights of the department's Annual Report were:

- prioritised objectives combining short and long-term targets;
- chapters based on department objectives; and
- a strategic approach to population diversity.

The Committee would like the Department to consider adopting of the following in future Annual Reports:

- identify performance targets and provide comparative data;
- integrate reporting on financial and performance outputs and strategic objectives; and
- critically review department performance and outcomes, including links to future directions.

Department of Transport

As with the Department of Human Services, the size and scope of the Department's activities make clear and concise reporting difficult. Although the longest Annual Report by some 10 per cent, the Department of Transport Annual Report is easy to navigate and contains a significant level of performance data beyond the output performance reporting requirements.

The Committee notes the extensive presentation of performance information in the chapters on Public Safety and Security, and Access and Mobility, but believes that the report could be strengthened by reproducing this type of data in the other chapters of the Report of Operations.

The Department made good use of historical data throughout to identify trends, including specific trend reporting sections in the Environmental Performance Report. Output performance data, while comprehensive, comprising 20 pages, is clearly set out with brief introductory sections and detailed notes to accompany the tables. However, output performance reporting could be further improved with the inclusion of historical data.

As noted in the Committee's Report on the 2006-07 Financial and Performance Outcomes, better use could be made of outcome and program goals and targets to provide a supporting framework on which to hang the 73 pages of information about the activities and achievements of the Department. In addition, the 10 pages of information about the portfolios, ministers, business groups and executive staff could be condensed to help reduce the overall size of the report. The Committee supports end encourages sustainable paper use practices and the use of electronic alternatives across all departments.

Highlights of the department's Annual Report were:

- excellent use of historical information including identifying and analysing trends;
- the use of personal case studies to lighten the document; and
- the inclusion of non-output based performance data in the Report of Operations provides valuable insight into the performance of the Department.

The Committee would like the Department to consider adopting of the following points in future Annual Reports:

- consider ways to make the report more compact
- greater focus on reporting performance against stated objectives; and
- extend the excellent presentation of historical information seen elsewhere in the report to the output performance section.

Department of Innovation, Industry and Regional Development

The Department of Innovation, Industry and Regional Development Annual Report provides, in addition to the statutory financial and performance information, a detailed review of activities and achievements for the financial year.

The three introductory chapters (Secretary's Foreword, Economic Context, and Role and Structure of the Department) provided an insightful and useful overview of the department and its operating environment. These sections clearly established the role of the Department in relation to the *Growing Victoria Together* visions and explained the links between the operating divisions and the Department's strategic objectives. The report included a number of insightful case studies which emphasised the role of the Department and the impact of its programs.

Performance information was constrained to the appendices which made it difficult to correlate the data with the commentary that appeared in the Report of Operations. The Committee was pleased to note that for the first time in a number of years, the Department detailed performance against the Output Cost measures set out in the budget papers and provided explanations for variations of more than 10 per cent from target on the output performance measures.

The Committee also noted that the Department reverted to an entirely paper based Annual Report while the Financial Statements and Appendices had been provided on CD in 2006-07. This would have almost halved the printed material and delivered corresponding environmental savings. However, the Committee was pleased to note the use of environmentally sustainable paper.

While all Annual Reports were made available on department and agency websites, none of the 2007-08 Annual Reports reviewed by the Committee made use of electronic media such as CD or DVD to reduce the quantity of printed matter used.

Highlights of the Department's Annual Report were:

- detailed breakdown of administered grants;
- inclusion of output cost information and explanations for variances from target; and
- clear and detailed information about the economic context, the strategic objectives and the role and structure of the Department.

The Committee would like the Department to consider adopting of the following points in future Annual Reports:

- outline targets and milestones within the Report of Operations;
- integrate performance data into the main body of the Report of Operations, thus tying it to the operational activities and the strategic outcomes of the Department; and
- make further use of benchmarking and historical data to support the reporting of performance.

Department of Justice

The Committee found the reporting of financial and performance outputs to be detailed and thorough. The Department provided a clear link between output categories and *Growing Victoria Together*, a synopsis of services delivered, a minimum three years of comparative data and detailed commentary that was not limited to explanations for variations.

The Report of Operations provided a narrative account of programs and projects, broadly grouped under three headings:

- *Delivering on Social Reform*, which explored the Department's activities to deliver social reform;
- *Improving our Services*, which explored activities aimed to improve the efficiency and effectiveness of justice systems and services; and
- *Report on Performance*, which examined the performance of the Department in relation to pre-established targets and historical performance.

Under the first two sections, the report addressed activities associated with the five strategic themes identified in the Department's *Strategic Priorities 2008 – A statement of our focus and direction*. The content of these sections was well structured, incorporating concise summaries and detailed contextual information, however, the report would be enhanced with further integration of performance data into this discursive text.

Performance information was generally restricted to the *Report on Performance* section, however, this section provided the most comprehensive analysis and discussion of performance evidenced in any Annual Report reviewed by the Committee. The detailed discussion included in the *Report on Performance* section of the report is a good example to all departments on effective performance reporting.

Highlights of the Department's Annual Report were:

- the most comprehensive analysis and discussion of output performance data of any report reviewed by the Committee;
- a focus on service improvement in addition to the delivery of policy objectives; and
- inclusion of concise and meaningful summary data in the Report of Operations.

The Committee would like the Department to consider adopting the following points in future Annual Reports:

- inclusion of benchmarking data and analysis of performance in comparison with other organisations; and
- inclusion of relevant target and milestone information within the sections on *Delivering Social Reform* and *Improving our Services*.

Department of Planning and Community Development

The Department of Planning and Community Development Annual Report for 2007-08 followed the structure and design of the 2006-07 Department of Victorian Communities Annual Report. This reporting format had a strong focus on reporting performance and achievements in relation to the major outputs/deliverables established in *Budget Paper No.3*, which was retained in 2007-08.

Throughout the Report, performance output information was consistently integrated with detailed summaries of selected programs, explanations for variations and the identification of future priorities. The identification of specific program and project targets in support of performance output information would further enhance the Department's commendable reporting framework.

A major departure from previous reporting practices was the removal of a separate chapter focusing on how the Department delivered its five main objectives.[513] This was replaced by a series of case studies intended to illustrate key activities and programs undertaken during the financial year. While these case studies provided an interesting insight into the focus of the new Department, this section could be enhanced by establishing more explicit links with Department policy, goals and objectives.

The Committee considers that an Annual Report should provide an overview of all significant programs and projects undertaken by a department and it hopes that the Department of Planning and Community Development can find a way to expand the scope of reporting without diminishing the successful reporting format it has developed.

Highlights of the Department's Annual Report were:

- the integrated reporting of project highlights, output performance, variations and future priorities;
- the identification of future priorities; and
- clear presentation of environmental data.

The Committee would like the Department to consider adopting the following points in future Annual Reports:

- incorporation of comparative data from at least three previous years; and
- an expanded commentary on performance beyond explanations of variations.

Department of Premier and Cabinet

The Department of Premier and Cabinet Annual Report focuses on detailing the key operational activities of the various branches and offices within the Department. This enables the reader to establish a clear understanding of the work undertaken by the Department and of responsibilities within the Department. However, it is more difficult to establish the nature of the strategic objectives and targets which inform and direct these activities.

The Report of Operations also includes a number of stand-alone pages which provide case study examples including the work undertaken on specific major initiatives such as; The next stage of the Government's water plan: boosting Victoria's water supplies; and Engaging the community on climate change. These sections provide more detailed information about the progress and development of these initiatives.

A key feature of the Department's Annual Report for several years has been the identification of future plans and activities. The Committee is pleased to note that this feature is being adopted by increasing numbers of departments and agencies in their Annual Reports.

All performance data is contained within the appendices of the Report, and while commentary and analysis are included where required, this is relatively minimal when compared with other Departments. There is little historical or benchmarking data to support the performance data in the report and there is little performance data within the Report of Operations.

Highlights of the Annual Report include:

- information on the key achievements of each business unit;
- information on the future plans an challenges identified by each business unit; and
- case study reports on major Department initiatives.

513 Department of Planning and Community Development, *Annual Report 2006-07*, pp.16-39

The Committee would like the Department to consider adopting the following points in future Annual Reports:

- outline targets and milestones within the Report of Operations;
- include relevant performance data to support the achievements and actions detailed in the Report of Operations; and
- make further use of benchmarking and historical data to support the reporting of performance.

Department of Primary Industries

The Department of Primary Industries 2007-08 Annual Report is presented in two parts, the Report of Operations and the Financial Statements and appendices. The main content in the Report of Operations is structured around the Department's six strategic objectives, however, it also contains three easy reference sections at the start of the report, year in review, financial review and strategic review.

The financial statements and appendices present all of the financial and performance data pertaining to the Department's activities. The output performance measures are clear and concise, with adequate explanations provided for variations in performance. Other performance information, while limited to the key requirements of the relevant FRDs, is supported by detailed contextual evaluation.

The Report of Operations is well structured and the content informative about the operations of the Department. It would, however, benefit from the inclusion of the goals, objectives and targets associated with the strategies around which it is structured. This would provide a reference point for readers to assess how well the Department has performed in relation to its own targets. The performance information included in the Report of Operations is not supported by the inclusion of targets, benchmark data or historical data. This severely limits the usefulness of this information.

The inclusion of output performance information in the appendices of the report isolates this information and makes it difficult to link the data to the discussion contained the Report of Operations. This is compounded by the lack of any obvious connection between the corporate strategies around which the Report of Operations is structured and the major outputs/deliverables around which the output measures are structured.

Highlights of the Annual Report include:

- Report of Operations is structured around the Department's corporate objectives, which helps to focus the content on the Department's core activities;
- performance information relating to the 2007-08 financial year is included within the body of the Report of Operations to support and affirm the statements made about the achievements of the Department; and
- the performance data in the financial statements and appendices report is well supported with evaluative commentary and explanations of variances.

The Committee would like the Department to consider adopting the following points in future Annual Reports:

- present clear linkages between *Growing Victoria Together*, corporate strategies and the major outputs/deliverables identified in the budget papers;
- objectives, goals and targets associated with the strategies around which the Report of Operations is structured;
- target, historical and benchmark data to support the performance data in the Report of Operations; and
- providing the financial statements and appendices in an electronic format rather than as a separate book.

Department of Sustainability and Environment

The Department of Sustainability and Environment presented a clear account of its performance measures and outcomes for 2007-08. There is, however, room to improve some aspects, particularly the integration of reporting to achieve a better balance between quantitative and qualitative reporting.

The Committee found the division of performance reporting into environmental, social and Financial Sections to be accessible and easy to understand. This could be further enhanced by being linked directly to the *Growing Victoria Together* visions.

The Department's environmental performance reporting is the most thorough of the three sections, and the Annual Report demonstrates that clear identification of objectives and targets can establish a context and focus for critical performance reporting.

However, the emphasis placed on environmental reporting is disproportionate to other departments and subsequent reporting (social and financial) was not maintained at the same high level. The Committee would like to see DSE approach all of its reporting with the same level of detail and analysis it provides for environmental performance.

The use of targets and critical analysis also allowed DSE, in a small number of instances, to identify actions for next year. For example, energy intensity for 2007-08 rose – against trend – and the Department stated its intention to analyse its energy usage and identify saving opportunities during 2008-09.[514]

The environmental section also facilitated immediate assessment of DSE's performance through the use of colour coded text within tabulated data that highlighted positive, stable and negative performances.

DSE's reporting on programs and projects is extensive and detailed, reflecting the Department's attempt to enhance reporting through the use of 'clearer story telling, analysis and presentation.[515] However, the narrative accounts did not include a standard method for stating targets, such as that used to underpin the robust reporting in the environmental section.

A number of features in the DSE Annual Report provide a reporting model that sets the standard in Government departmental reporting. In many instances these are developments that DSE have been honing progressively each year.

Highlights of the Annual Report include:

- division of the report into sections which are broadly aligned with *Growing Victoria Together* visions;
- identifying objectives and targets and linking them to Department policies; and
- accessible critical reporting alongside identified objectives and targets, including the use of colour coded text.

The Committee would like the Department to consider adopting the following points in future Annual Reports:

- the quality of environmental performance reporting extended to social and financial sections;
- defined objectives and targets in narrative accounts of projects and programs;
- categorising reporting on programs and projects with the Government's budget format; and
- the reinstatement of comparative data in the Report of Operations.

514 Department of Sustainability and Environment, *Annual Report 2007-08,* p.11
515 ibid., p.8

Department of Treasury and Finance

The Department of Treasury and Finance Annual Report presents an excellent example of integrated performance reporting and the Committee is pleased to note a number of improvements to the layout and content of the 2007-08 report over the 2006-07 report.

As in 2006-07, the Report of Operations is structured around six output groups as established in the budget papers. Each chapter contains a description of the major outputs/deliverables, key projects and initiatives, a summary of output performance and the output data. New for 2007-08 is the inclusion of case studies which reflect the activities and achievements of key programs and initiatives in the Department.

Unlike most departments, the Department of Treasury and Finance does not detail variances in performance in table footnotes. This allows more flexibility in reporting and in some cases provides more detailed information than may be contained within a footnote, however, it does make it more difficult to tie the commentary to the data in the tables. The Department could make better use of historical and benchmarking data to support this performance information.

The Committee was also pleased to note the additional information around the functions and services of the Department which provided useful context to support the performance information which is the focus of the Report.

The appendices of the Report contain the remaining information required by the *Financial Reporting Directions* and the use of graphical charts and diagrams provided a welcome break from the large quantities of tabular data contained in this section.

Highlights of the Annual Report include:

- use of case studies to provide information about key departmental initiatives;
- report structured around the main performance indicators for the Department with clear concise supporting commentary; and
- the inclusion of contextual information about the functions, services and operating environment of the Department.

The Committee would like the Department to consider adopting the following points in future Annual Reports:

- better use of historical and benchmarking data to provide greater opportunity for the reader to view the information presented in context;
- use of colour or other graphical means to identify performance trends, as also used by the Department of Sustainability and Environment; and
- better use of selected non-output based performance indicators.

19.4.2 Government agency annual reports

Port of Melbourne Corporation

The Statement of Corporate Intent section of the report provides an insight into the future plans of the Port of Melbourne Corporation and set the context for its performance measures, accompanied by forward targets for the subsequent three years.

The inclusion of historical data would have further strengthened the reporting in this section, while more information on the goals and targets associated with the achievements detailed earlier in the report would have enhanced the information presented.

The Committee considers that there is scope to improve reporting against FRD 29, Workforce Data Disclosures.

Southern and Eastern Integrated Transport Authority

The Southern and Eastern Integrated Transport Authority (SEITA) was established to facilitate the delivery of the Eastlink project. While Eastlink was completed in June 2008, SEITA has maintained an ongoing role to manage the contract with ConnectEast on behalf of the Government.

The Report of Operations focuses on the development and completion of the Eastlink project, including a section entitled *Objectives Accomplished*. However, the information provided does not relate the achievements to project targets or milestones. This would have enabled a greater appreciation of the efficiency or effectiveness with which SEITA activities were undertaken. The Committee encourages SEITA to set achievements against performance indicators in future Annual Reports utilising measures such as timeliness and quality.

Southern Cross Station Authority

Southern Cross Station Authority (SCSA) is responsible for monitoring and assessing the performance of the private operation of the Southern Cross Railway Station. Given this oversight role, its Annual Report contains sections on corporate governance, operation reports and financial statements.

The SCSA Annual Report identifies six key objectives and the report would be considerably enhanced with the inclusion of performance information regarding the achievement of these objectives, including measures of quantity, quality and timeliness.

Transport Ticketing Authority

The Transport Ticketing Authority responsible for overseeing the current Metcard public transport ticketing system and the design, build and delivery of a replacement ticketing system. The Transport Ticketing Authority Annual Report identified five performance measures on which its performance is assessed. The identification of targets in the Annual Report is commended by the Committee.

However, the performance measures focus exclusively on the delivery of the new ticketing system and does not take into account performance issues relating to the development of the new ticketing system, nor the oversight of the current ticketing system. Consequently, the Committee would like the Transport Ticketing Authority to include in future Annual Reports, performance measures that measure the progress of the design and building of the new system against targets and the ongoing performance of the existing system.

V/Line

The presentation of key performance data is enhanced by graphic indicators on how performance compared with the previous year, but would be enhanced by including a minimum of three years comparative data as used by V/Line in reporting reliability and punctuality.

Performance information in the report lacks detail in regard to identified performance targets and as a consequence, the reporting lacks critical analysis.

While the Committee welcomes the emphasis placed on safety, including a list of all serious level crossing incidents, V/Line did not report Occupational Health and Safety information as recommended (Recommendation 74) in *Report on the 2006-07 Financial and Performance Outcomes.*

VicRoads

VicRoads presented one of the most comprehensive and complete Annual Reports of all of the non-departmental agencies reviewed. The report provided key performance indicators for each of the VicRoads *Aims*, supported with a performance summary section explaining the results. The Committee was particularly pleased to note the inclusion of discussion about opportunities for improved performance and the use of a minimum three years of comparative data throughout the report. The report also provides high quality information around the highlights of the year, organisational structures and responsibilities, and corporate governance practices.

Reporting against the requirements of the *Financial Reporting Directions of the Minister for Finance* was complete, with notable improvements from 2006-07, particularly in relation to *FRD 29 – Workforce Data Disclosures*.

VicTrack

The report identifies the relevant government strategies and links VicTrack objectives and goals with the *Growing Victoria Together* visions. The Committee's 2006-07 Outcomes report identified the need for VicTrack to discuss the performance challenges faced in executing its business in addition to reporting achievements.[516] While the content of each chapter is limited to program and project highlights, each chapter in the 2007-08 Annual Report contains a *looking forward* section which at least in part addresses this issue.

Statutory and financial reporting are for the most part complete although the Committee identified only partial reporting in some categories assessed, including Occupational Health and Safety, environment and workforce data and non reporting of FRD 25.

The VicTrack Annual Report did not provide any performance targets or data to analyse its performance.

[516] *Report on the 2006-07 Financial and Performance Outcomes*, p.677

CHAPTER 20: VICTORIAN AUDITOR-GENERAL'S OFFICE

Key Findings of the Committee:

20.1 **During 2007-08, the previous practice of tabling multiple audit reports within compendium reports was replaced by an approach whereby audits are published as a series of discrete reports. As a result, the target of 16 reports for 2007-08 was revised to 31 and as from 2008-09, the performance measure titled 'Major audit reports' has been retitled 'Auditor-General's Reports'.**

20.2 **With an unprecedented 33 reports tabled in Parliament during 2007-08, the Victorian Auditor-General's Office is congratulated for completing a workload that exceeded the revised target of 31.**

20.3 **The Committee noted that 83 per cent of Parliamentarians who responded to the Office's parliamentary survey for 2007-08 (a 40 per cent participation rate was achieved) were satisfied overall with the Auditor-General's reports and services, compared with 90 per cent in 2006-07 (a 30 per cent participation rate was recorded). The number of Parliamentarians who were 'very satisfied' (21 per cent up from 14 per cent in 2006-07) was noted by the Committee.**

20.4 **A large majority of respondents to the parliamentary survey (over 80 per cent) agreed that reports and services produced by the Office provided valuable information on public sector performance, were generally of a high quality, helped to improve public sector administration and generally communicated issues clearly. Positive comments focussed on the quality of the research and planning underpinning the reports, the lack of bias and the professionalism of the Auditor-General and his Office.**

20.5 **While participation of 40 per cent of Members of Parliament in 2007-08 in the Office's annual survey of Parliamentarians was a marked improvement on the 30 per cent recorded in 2006-07, the Office claimed there was nevertheless an opportunity to improve this response rate further, particularly as some jurisdictions had been able to achieve participation in the order of 60 per cent of Parliamentarians.**

20.6 **In terms of measuring client feedback on performance audits, the Office achieved an overall rating of 72 in 2007-08 against a stretch target of 80. This outcome, which represents an average rating over three areas: audit process, audit reporting and the value of the audit to the agency, has remained at a constant level below the stretch target over the past three years.**

20.7 **With regard to measuring client feedback on financial audit services and reports, the Office received an overall client satisfaction rating of 73.4 in 2007-08, which was under the stretch target of 80, but a slight increase from the 2006-07 result.**

20.8 **According to the benchmarking of client feedback on financial audits, specific areas where Victoria was the top ranked Office in 2007-08 related to demonstrating an adequate understanding of client organisations, interacting with client staff in a professional manner, the reasonableness of audit fees and the involvement of senior staff in the audit (in all but the latter case, these top rankings also applied to 2006-07). Areas requiring improvement related to staff being responsive to client needs, the reporting of findings in an accurate and balanced/fair manner and the audit providing value to the client.**

20.9 **The overall voluntary turnover rate for 2007-08 was 27.2 per cent compared to 23.1 per cent for the previous year. Under the umbrella of the newly developed Strategic People and Culture Management Framework, a number of strategies have been implemented to address this issue.**

20.10 **The Office's Annual Report for 2007-08 was tabled on 21 August 2008. The Committee was advised that a priority of the Office was to lead by example and deliver its Annual Report in a timely manner. To enable this to be achieved, systems and processes for ongoing monitoring and the timely acquittal of both financial and non-financial outcomes on a progressive basis throughout the year were set in place.**

20.11 **The overall actual costs for the 29 performance audits tabled in 2007-08 (which included one of the better practice guides titled *Local Government Performance Reporting*) exceeded budget by 4.4 per cent; an outcome that was within the Office's internal target of 10 per cent. For 11 audits, actual costs exceeded the original approved budget by more than 10 per cent. The two largest overruns related to the audits covering the *Implementation of the Criminal Justice Enhancement Program* and *Delivering HealthSMART* where the actual costs incurred exceeded budget by 94.4 per cent and 89.7 per cent respectively. In the first instance, the budget overrun was due to the provision of new information after the end of the audit conduct phase and unplanned changes in staff due primarily to staff turnover. In the second case, in addition to staffing issues, delays were experienced in obtaining access to key information.**

20.12 **In contrast, for four performance audits, actual costs incurred were less than the original approved budget by more than 10 per cent. Audits covering the topics *Maintaining the State's Regional Arterial Road Network and Records Management in the Victorian Public Sector* had the largest variations, coming in at 28.3 per cent and 22.1 per cent below budget respectively.**

20.13 **The Office has been successful in reducing the average cost of performance audits, while increasing the number undertaken. Since 2003-04, the average cost of undertaking a performance audit has reduced by 38.8 per cent from $466,823 (nine performance audits completed in 2003-04) to $285,896 (29 performance audits tabled including one of the better practice guides) in 2007-08.**

20.14 **In relation to audit fees generated from financial audits, write-offs exceeded write-ons by $0.252 million in 2007-08, which equates to 1.4 per cent of the Office's total audit fees of $17.9 million.**

20.15 The largest increases in audit fees billed in 2007-08 compared to the previous year related to the following categories of clients/financial audits: State Accounts (14 per cent), universities and other educational institutions (13 per cent), regional library corporations (13 per cent) and departments and other independent budget sector agencies (11 per cent).

20.16 In terms of assessing the cost effectiveness of the Office's business units, preliminary results from the annual Australasian Council of Auditors-General (ACAG) Macro Benchmarking Survey shows that for 2007-08, the Office performed very well in relation to:

- **finalisation of financial audits within four months of the financial year;**
- **elapsed time for undertaking performance audits/performance management systems audits;**
- **cost per unit output for State/Commonwealth financial audit opinions;**
- **total audit costs per $'000 of public sector assets and per $'000 of public sector transactions; and**
- **total financial audit costs per $'000 of public sector assets and per $'000 of public sector transactions.**

20.1 Introduction

The Committee has identified a number of matters relating to financial and performance outcomes of the Victorian Auditor-General's Office for 2007-08 that are explained in the following sections of this chapter. These sections are aligned to key result areas identified in the Office's Strategic Plan covering the period 2007-08 to 2009-10, namely:

- Reports and advice;
- Parliament;
- Clients;
- People; and
- Organisation.

The Committee believes that its analysis of various outcomes derived in the initial year of the strategic plan may be useful in assisting the Office continuously improve its performance during the final two years of the Plan's three year duration.

20.2 Reports and advice

20.2.1 Major audit reports

During 2007-08, the target for the performance measure 'major audit reports' increased from the 16 disclosed in the budget papers[517] to 31[518] due to a change in approach adopted by the Office to tabling reports. This change involved single reports within compendiums being published as a series of discrete reports.[519] A summary of the reports tabled in 2007-08 compared to the target is shown in Table 22.1.

The Office is to be complimented for producing an unprecedented 33 **reports** for tabling in 2007-08 compared to the target of 31; an outcome which far surpasses past performance of the Office in this core area of the Office's operations.

The reasons for the difference between the target set for 28 performance **audits** to be completed in 2007-08 as identified in the Office's *Annual Plan 2007-08* (equating to 28 individual reports to Parliament) and the actual number of 25 **reports** tabled in 2007-08 are explained below:

- 24 performance **audits** identified in the Annual Plan were tabled in 21 **reports** to Parliament;
- of the four remaining performance audit **reports** tabled in separate reports, these comprised one replacement audit explained in note (a) to Table 22.1 and three new performance audits described in note (c) to Table 22.1;
- of the four proposed performance **audits** not completed in 2007-08, the background to these is explained in the notes (a) and (b) to Table 22.1.

Table 20.1: Victorian Auditor-General's Office Reports tabled compared to target 2007-08

Audit Products:Reports tabled	Target 2007-08	Actual
Performance audit reports (a), (b) and (c)	28	25
Better Practice Guides	0	4
Report on examination of the State's finances	1	1
Reports on financial audit results (d)	2	3
Total products tabled	31	33

Notes:

(a) The proposed audit 'Effectiveness of Workforce Management in Corrections Victoria' identified in the Annual Plan 2007-08 was replaced by the audit 'Services to Young Offenders'.

(b) Of the three other performance audits that were identified in the Annual Plan 2007-08 but not completed during 2007-08, two were removed from the program after consultation with the Public Accounts and Estimates Committee and another was delayed and was scheduled for tabling in 2008-09 (refer to section 22.6.3 for further details).

(c) Includes the following additional performance audit reports not included in the Annual Plan 2007-08: 'New Ticketing System Tender'; 'Discovering Bendigo Project' – carried forward from 2006-07; and 'Patient Safety in Public Hospitals'.

(d) Comprises the following reports on financial results: ''Results of Financial Statement Audits for Agencies with 30 June 2007 Balance Dates'; 'Results of Audits for Entities with other than 30 June 2007 Balance Dates' and the additional report titled 'Local Government: Results of the 2006-07 Audits'.

Source: Victorian Auditor-General's Office, Annual Report 2007-08, pp.8, 9 and 12

517 Budget Paper No.3, *Service Delivery 2007-08*, p.259
518 Victorian Auditor-General's Office, *Annual Report 2007-08*, p.8
519 ibid., p.8 note (b)

As a result of the change in approach from the tabling of single reports within compendiums to a series of discrete reports, the Committee noted that in terms of 2008-09, the quantitative performance measure contained in the budget papers was changed from 'Major Audit Reports' to 'Auditor-General's Reports'.[520] This change in description was necessary because not all of the products counted in this measure as discrete items can be regarded as 'major audit reports' e.g. better practice guides or small performance audits.

20.2.2 Product mix of the Office – Better Practice Guides

The Committee noted that in terms of promoting continuous improvement in the Victorian public sector, the Office produced the following better practice guides as a by-product of performance audits during 2007-08:

- Public Sector Procurement: Turning Principles into Practice;
- Local Government Performance Reporting: Turning Principles into Practice;
- Planning Scheme Amendment: Assessment Checklist; and
- Planning Permit Application: Assessment Checklist.

The Committee commends the Office for the production of these guides as they provide very useful guidance material to interested parties.

In inquiring about the criteria used to determine the number of better practice guides to be prepared and tabled in Parliament in a particular year, the Office advised that this form of audit product is produced where a performance audit or series of performance audits have 'lessons learnt' that form better practices and principles which the Office considers would enhance the performance of the broader public sector in that area.[521]

The Committee also learned that client surveys conducted by the Office had shown substantial support for these products from agencies in the Victorian public sector - an outcome that was consistent with the experiences of the other comparable audit jurisdictions in Australia.[522]

The Committee believes that feedback from client agencies that have accessed better practice guides prepared by the Office should be documented into a formal indicator to measure and report the extent to which the release of such guides has been beneficial to those parties that have an interest in those particular subject areas.

Recommendation 76: **The Victorian Auditor-General's Office develop a performance indicator to measure whether better practice guides produced by the Office have been of use to those parties that have chosen to access these documents for guidance.**

Recommendation 77: **The Victorian Auditor-General's Office disclose information in its annual report relating to the success or otherwise of the Office electing to prepare better practice guides.**

520 Budget Paper No.3, *Service Delivery 2008-09*, p.271

521 Victorian Auditor-General's Office, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 8 December 2008, p.14

522 ibid.

20.3 Parliament

20.3.1 Survey of Parliamentarians

The Committee examined with interest the results of the annual Victorian Auditor-General's Office survey of Victorian Parliamentarians. The Committee noted that 40 per cent of Parliamentarians answered the 2007-08 survey compared with 30 per cent for the previous year's survey.[523]

In relation to the 2007-08 parliamentary survey, the Committee noted that 83 per cent of Parliamentarians were satisfied overall with the Auditor-General's reports and services, compared with 90 per cent in 2006-07, and that according to the Auditor-General the survey returned positive results overall.[524]

With regard to the five questions from the Office's Parliamentary survey Questionnaire that were benchmarked against other audit offices, the Committee was informed that the benchmarking agreement with other offices does not allow the Office to disclose the results of the other offices.[525] Victoria's rankings against broad areas are disclosed in Table 22.2.

In interpreting these results, the Auditor-General's Office brought to the Committee's notice that:[526]

- these results compare the frequency of respondents agreeing to these questions, and do not take into account the shift for several participants from 'Agreeing' to 'Strongly Agreeing' with the favourable statements in the questions; and
- last year, Victoria ranked well when benchmarked against other States in this survey. However, the introduction of a small cohort of strongly dissatisfied clients has affected Victoria's ranking in 2007-08.

Despite these limitations, the Committee believes that the Office will need to be conscious of the need to continually assess whether it provides valuable information on public sector performance and communicates issues clearly, especially in view of the performance audits undertaken each year that are directed at examining the adequacy of processes and systems as distinct from assessing effectiveness.

Table 20.2: Victorian Auditor-General's Office Survey of Parliamentarians Results benchmarked with other Australian audit offices 2007-08

Survey Question	VAGO Ranking (1 = Top 4= Bottom)
The Office's reports and services provide valuable information on public sector performance	4
The Office's reports and services help improve public sector administration	2
In general, the Office provides high quality reports and services	3
In general, the Office's reports communicate issues clearly	4
Overall, how satisfied are you with the Office's reports	3

Source: Victorian Auditor-General's Office, Response to the Committee's Financial and Performance Outcomes Questionnaire 2007-08 - Part One, p.22

523 ibid., p.23
524 Victorian Auditor-General's Office, *Annual Report 2007-08*, p.20
525 Victorian Auditor-General's Office, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 8 December 2008, p.22
526 ibid.

In relation to the improvement in the number of Parliamentarians who were 'very satisfied' (21 per cent up from 14 per cent in 2006-07),[527] the Committee was interested in understanding which aspects of the reports they were particularly satisfied with. A large majority of respondents (over 80 per cent) agreed that reports and services provided valuable information on public sector performance, were generally of a high quality, helped to improve public sector administration and generally communicated issues clearly. Positive comments focussed on the quality of the research and planning underpinning the reports, the lack of bias and the professionalism of the Auditor-General and his Office.[528] The Committee commends the Office for achieving this positive outcome.

Conversely, with regard to the small cohort (less than 5 per cent) who were 'very dissatisfied',[529] a small number of respondents provided negative comments on the Auditor-General's reports and services. These tended to focus on the need to be clearer in identifying under performance. Respondents mentioned the scope and topic of the audit, the clarity and format of the report, the inclusion of factual data and the timeliness of the report as key factors influencing their satisfaction.[530] The Committee considers that although these criticisms originated from a minority of respondents to the parliamentary survey, there would be value in these matters being kept in mind when undertaking performance audits.

The Committee was informed by the Office that experience in other jurisdictions suggests that audit office performance against the expectations of Members of Parliament often improves in response to broader and more active liaison with all Parliamentarians. As such, the Office will continue to support the Auditor-General in strengthening his approach to Parliamentary liaison in 2008-09, providing more information on both the role of audit and relevant audit findings to Members.[531] The Committee considers that the approach adopted for strengthening the level of Parliamentary liaison needs to be documented in an action plan which should be made public to ensure it represents the interests of Parliamentarians.

The Office also indicated that the expectations of all Members of Parliament would be better addressed through a greater participation rate by Parliamentarians to the Office's annual survey. As indicated earlier, while the participation rate in 2007-08 of 40 per cent was a marked improvement on the 30 per cent recorded in 2006-07, the Office claimed there was nevertheless an opportunity to improve this response rate further, particularly as some jurisdictions achieved participation of around 60 per cent of Parliamentarians.[532]

The Committee encourages all Members of Parliament to participate in the annual survey issued by the Victorian Auditor-General's Office. In order to boost the level of feedback received from Parliamentarians to the Auditor-General's annual survey, the Committee considers the Office should develop a performance measure and target associated with the response rate to the survey and disclose the findings each year in its annual report.

Recommendation 78: **The Victorian Auditor-General's Office develop and publish a performance measure and target associated with the response rate achieved in terms of the annual survey of Parliamentarians.**

Recommendation 79: **An action plan for broader and more active liaison by the Auditor-General with all Parliamentarians be made transparent to ensure it is representative of Parliamentary interests.**

527 Victorian Auditor-General's Office, *Annual Report 2007-08*, p.20
528 Victorian Auditor-General's Office, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 8 December 2008, p.22
529 Victorian Auditor-General's Office, *Annual Report 2007-08*, p.20
530 Victorian Auditor-General's Office, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 8 December 2008, p.22
531 ibid., p.23
532 ibid.

20.4 Clients

20.4.1 Quality – client feedback on performance audits

Against a stretch target of 80, the Victorian Auditor-General's Office achieved an overall rating of 72 in 2007-08 for performance audits. This outcome, which represents an average rating over three areas: audit process, audit reporting and the value of the audit to the agency,[533] has remained at a constant level below the stretch target over the past three years.

In placing this outcome in context, the Office advised the Committee that an audit report that contained adverse findings was more likely to generate negative feedback from a client compared to an audit report that disclosed positive findings. As a result, when considering client feedback, it is important to also consider the basis on which that feedback has been formed.[534] The Committee noted that, while the nature of performance auditing is vastly different to that of financial auditing, the stretch target for performance audits of 80 was set at the same level to that of financial audits.

Table 20.3 shows a summary of scores over the past three years for performance audits.

Table 20.3: Victorian Auditor-General's Office Client feedback scores on performance audits 2005-06 to 2007-08

Process			Reporting			Value			Average		
2005-06	2006-07	**2007-08**	2005-06	2006-07	**2007-08**	2005-06	2006-07	**2007-08**	2005-06	2006-07	**2007-08**
75	68	**74**	75	76	**75**	64	67	**68**	71	70	**72**

Source: Victorian Auditor-General's Office, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part One, p.11

Based on the consideration by the Office's Senior Management Group in September 2008 of these results and a range of other insights arising from the 2007-08 survey process, including qualitative information derived from interviews, the following actions for 2008-09 were approved at that time and communicated to the Office's Audit Committee:[535]

- to drive improvement in **audit process** and **reporting**, the Office encourage greater consistency of approach, through training and a tighter focus on compliance with the Office's performance audit methodology. This methodology (known as AmP) addresses many of the areas aimed at driving more positive survey results in audit process and reporting, in particular the provision of feedback on issues as they arise and ensuring the maximum opportunity for audit clients to comment on draft audit reports;
- to drive improvements in the **value of audits** to clients, the Office implement a revised topic selection framework, with a greater emphasis on risk and community expectation, and a more robust and transparent methodology. This focus is designed to improve the relevance of audit findings and recommendations to the audited agencies; and
- to further improve stakeholder feedback on **audit reporting**, guidance materials and training provided to performance audit staff be revised, focussing on improvements to the clarity and format of reports.

533 Victorian Auditor-General's Office, *Annual Report 2007-08t*, p.12

534 Victorian Auditor-General's Office, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 8 December 2008, p.11

535 ibid.

Bearing in mind that all of the scores achieved over the past three years relating to client feedback on performance audits have been below the stretch target of 80 and the contextual factors outlined by the Office that are influenced by the nature of auditing, the Committee has formed the view that it would be beneficial for the Office to discuss with other audit jurisdictions that participate in the national benchmarking project:

- the appropriateness of persevering with the stretch target set at 80 for assessing the quality of performance audits. Based on this feedback, there may be a need to reduce this target in future, especially as the Auditor-General acknowledged in his Office's annual report for 2007-08 that *'our performance is measured against a stretch target of 80, which would represent a very high level of satisfaction with our performance audit; and* [536]
- any good practices that have been employed to achieve a high level of client acceptance in this area, a practice which the Committee notes has been adopted by the financial audit business unit of the Office (refer to section 22.4.2 of this chapter).[537]

Recommendation 80: **Given the nature of performance auditing, the Victorian Auditor-General's Office initiate discussion with the other audit jurisdictions that participate in the national benchmarking exercise on whether the stretch target for satisfaction with performance audits that has been set at 80 remains relevant or should be reduced.**

Recommendation 81: **Good practice ideas implemented by those offices that benchmark very well in terms of client feedback on performance audits be investigated by the Victorian Auditor-General's Office.**

Recommendation 82: **As a further action to improve client feedback scores on performance audits, the Victorian Auditor-General's Office consider whether there is scope for strengthening avenues for communicating with clients and obtaining feedback on matters relating to process, reporting and providing value from the performance audit function.**

20.4.2 Client feedback on financial audit services and reports

The Committee noted that the Victorian Auditor-General's Office received an overall client satisfaction rating of 73.4 in 2007-08, which was under the stretch target of 80, but a slight increase from the 2006-07 result.[538]

Eighteen questions from the Office's financial audit client survey questionnaire were benchmarked against other audit offices. Although the benchmarking agreement with other offices does not permit the Office to disclose the results of the other offices, the Office was able to disclose Victoria's rankings against broad areas.[539]

536 Victorian Auditor-General's Office, *Annual Report 2007-08*, p.12
537 Victorian Auditor-General's Office, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 8 December 2008, p.21
538 Victorian Auditor-General's Office, *Annual Report 2007-08*, p.29
539 Victorian Auditor-General's Office, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 8 December 2008, p.20

With regard to outcomes achieved from the benchmarking survey in 2007-08, the Office advised the Committee that financial audit clients ranked the Office in the top half of the benchmarking group for 14 out of the 18 questions, compared to 10 out of 18 in 2006-07.[540] More specifically:[541]

- in relation to process, the Office ranked in the top half of respondents for eight out of nine questions in this area;
- with regard to reporting, the Office ranked in the top half of respondents for five out of seven questions in this area; and
- in relation to providing value, the Office ranked in the top half of respondents for one out of two questions in this area.

Benchmarked results for the years 2005-06 to 2007-08 are shown in Table 22.4. Analysis of these trends by the Committee revealed that:

- Victoria was the top ranked Office in 2007-08 in demonstrating an adequate understanding of client organisations audited, interacting with client staff in a professional manner, the reasonableness of audit fees charged relative to the level of audit activity and the involvement of senior staff in the audit (in all but the latter case, these top rankings also applied to 2006-07);
- in terms of process, with the exception of audit staff being responsive to client needs which has deteriorated significantly compared to other jurisdictions, Victoria has continued to be one of the leaders in all of the other areas surveyed;
- with regard to reporting, while improvement was shown in some areas such as in relation to the presentation of management letters and the timely issuing if audit opinions on financial statements, an area of concern was that Victoria ranked poorly compared to other audit offices in relation to reporting findings to parliament in an accurate and balanced/fair manner; and
- in assessing value to the client agency derived from the financial audit, a worrying outcome was that Victoria continued to be an average to low performer.

In terms of the above criticisms, the Committee considers that in interpreting the results, one needs to be conscious of the fact that an effective Auditor-General, fulfilling his independent mandate to the fullest and reporting without fear nor favour, could to some extent have an adverse effect on the degree of satisfaction reported by clients through survey results.

540 ibid., p.21
541 ibid.

Table 20.4: Victorian Auditor-General's Office Financial audit client feedback scores benchmarked to other jurisdictions 2005-06 to 2007-08

Survey Question	VAGO Ranking (1 = Top 5= Bottom)		
	2005-06	2006-07	2007-08
Process			
Communication between the auditors and our organisation was effective.	4	1	2
The auditors demonstrated an adequate understanding of our organisation.	2	1	1
The auditors demonstrated that they had the professional skills and knowledge required to conduct the audit.	3	2	2
The auditors' interaction with our organisation's staff during the audit was conducted in a professional manner.	2	1	1
The Office's audit fees are reasonable relative to the level of audit activity undertaken.	1	1	1
The Office's audit program was undertaken in a timely manner.	2	2	2
Audit staff were responsive to our needs.	2	1	4
Senior audit staff were appropriately involved in the audit.	2	2	1
There was adequate continuity of audit staff on our audit.	2	1	2
Reporting			
Our organisation was provided with an adequate opportunity to comment on the audit findings and issues before the finalisation of the Office's management letters.	2	4	3
The Office's management letters clearly communicated the audit findings and issues.	4	5	3
The Office's management letters presented the audit findings and issues in a balanced/fair manner.	3	4	2
The Office's management letters were issued in a timely manner.	2	3	2
The Auditor-General's audit opinion was issued in a timely manner.	4	4	2
The Office's reports to Parliament that related to our organisation presented the audit findings and issues in an accurate manner.	3	5	4
The Office's reports to Parliament that related to our organisation presented the audit findings and issues in a balanced/fair manner.	3	5	4
Value			
The Office's financial audit services make a valuable contribution by providing our organisation with a sense of assurance.	3	4	3
The Office's observations and/or recommendations have the potential to improve the financial management of our organisation.	4	4	4

Source: *Victorian Auditor-General's Office, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part One, p.20*

In view of these results, the Committee was interested in hearing about the remedial actions implemented or planned to address areas where improvement was shown to be necessary. The Office indicated that a number of actions were put in place to address the 2006-07 financial audit client survey findings, particularly to address the room for improvement in feedback received from clients in the areas of audit reporting and audit value. In response, both these areas showed improvement in 2007-08 results. These strategies included:[542]

- the Office's financial audit 'smoothing' initiative led to more timely issuing of management letters, greater use of interim management letters and greater use of other audit reporting tools such as client strategies and closing reports;
- all financial audit communication pro-formas were reviewed in 2007-08 for greater clarity and to better meet client needs;
- financial Audit Directors with higher than average positive client survey results in the area of reporting presented on their approaches at regular Directors meetings;
- survey results were provided in a more timely fashion and with more individual data to allow Directors to liaise more effectively with their clients on issues arising from the survey; and
- the Office's reporting templates were reviewed, with a greater emphasis placed on recommendations.

The Committee also learnt that in 2008-09, a number of further strategies had been initiated to address issues arising from the 2007-08 financial audit client surveys. These included:[543]

- continued emphasis on earlier and more disaggregated survey information to allow Directors to engage more effectively on a one-to-one basis with clients. For example, for the first time since 2005, recent survey results will be available for discussion at the Audit Service Provider Forum held in December each year, where private sector firms are briefed on key audit issues for the cycle ahead;
- to address ongoing concern over the level of audit fees, the Office will provide more information to clients on the basis of the fees, informed by a review of fees charged in other comparable jurisdictions and sectors. The client survey was revised in 2008-09 to include a question to evaluate whether this communication has been successful;
- the Office will seek ideas for good practice in audit reporting from those audit offices that benchmark very well, particular in the areas of the form, content and timing of communication with boards and management; and
- to improve client perceptions of responsiveness, the Office has placed greater emphasis on the 'gatekeeper' role of Financial Audit Directors in 2008-09, shifting more of the routine audit workload to audit teams and therefore increasing access to these senior staff for audit clients.

As in 2007-08, these initiatives are linked to Group business plans and will be tracked at regular Senior Management Group meetings.[544]

The Committee is of the view that as the Office's financial audit responsibilities extended over more than 600 organisations for 2007-08,[545] to enhance the quality of analysis of client feedback on financial audits and reports in future, the Office categorise client survey results according to the materiality of agencies and level of risk.

542 ibid.
543 ibid.
544 ibid.
545 Victorian Auditor-General's Office, *Annual Report 2007-08*, p.26

Given that the Office engages a number of financial audit service providers to work on a large number of financial statement audits as agents of the Auditor-General (18 audit firms for 2007-08 at a cost of $8,614,000[546]), the Committee maintains that the level of disclosure regarding feedback derived from financial audit clients would be improved by the Office revealing any areas where the level of dissatisfaction is significantly higher for financial audits carried out by audit service providers compared to in-house staff.

Recommendation 83: **Given the very wide coverage of financial audits undertaken by the Victorian Auditor-General's Office throughout the public sector, the quality of analysis of client feedback on financial audits and reports would be enhanced if client survey results are categorised in future according to the materiality of agencies audited and the level of risk.**

Recommendation 84: **The Victorian Auditor-General's Office publicly disclose a commentary on the level of client satisfaction in relation to audits performed by audit service providers compared to in-house staff.**

20.5 People

20.5.1 Staff turnover

By way of background, the Committee drew attention to the level of staff turnover in the Office in its previous Report on the 2006-07 Financial and Performance Outcomes. Among other things, the Committee reiterated the finding of the performance auditor of the Office in 2007 that:

> *'even by the high levels of attrition typically experienced by private sector firms (it has not been unusual for audit firms to operate with an annual staff turnover of 20 per cent),547 the Office has suffered a disconcertingly high staff turnover in the past 18 months…exit questionnaires completed by 31 of the staff who left the Office during the past 18 months showed that a large number cited lack of opportunities for career development as their principal reason for moving on'.*[548]

In terms of the Committee's current inquiry, the Committee noted that overall voluntary turnover rate for 2007-08 was 27.2 per cent compared to 23.1 per cent for the previous year.[549]

The Committee was interested in exploring how this level of staff turnover compared with other comparable jurisdictions/benchmarks and hearing from the Office about the acceptability of this level of staff turnover.

Similar to assessing cost-effectiveness, the Committee learnt that the most relevant benchmark associated with measuring staff turnover was sourced from the ACAG annual *Macro Benchmarking Survey* for 2007-08. This survey measures overall attrition as a percentage of full-time equivalent (EFT) for permanent staff only (excluding Executive Officers), and therefore does not compare directly to the Office's figures in its Annual Report for 2007-08.[550]

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546 ibid., p.50

547 Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General's Office, November 2007, p.90

548 Public Accounts and Estimates Committee, *Report on the 2006-07 Financial and Performance Outcomes*, May 2008, p.722

549 Victorian Auditor-General's Office, *Annual Report 2007-08*, p.42

550 Victorian Auditor-General's Office, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 8 December 2008, p.25

Using the ACAG survey criteria, the Office advised that its overall 2007-08 attrition rate, as a percentage of EFT, was 28 per cent, which was above the average across all audit offices of 24 per cent, though comparable with other offices employing staff on general public sector terms and conditions. According to the Office, the main drivers behind the level of its staff turnover in 2007-08 were a number of departures in the Corporate Services and Financial Audit groups. The Office indicated, however, that it should be noted that attrition in the Financial Audit group of the Office had reduced significantly compared to 2006-07.[551]

In determining that the level of staff turnover experienced on 2007-08 needs to be addressed, the Office advised that further strategies and activities were implemented to reduce the attrition rate going forward.[552]

The Office drew the Committee's attention to its *Strategic Plan 2007-08 to 2009-10*, which identifies 'People' as a key result area and the strategic objective of 'Being an employer of choice' to be achieved. A Strategic People and Culture Management Framework (SPCMF) has been developed to support this objective. The SPCMF identifies a number of strategies and activities, including those to address staff turnover, such as:[553]

- improved workforce (including recruitment) and succession planning;
- revising the learning and development framework to assist career planning; and
- responsive employment conditions and revising the health, safety and wellbeing program.

In monitoring the continued relevance of its Strategic People and Culture Management Framework, the Committee believes the Office needs to evaluate whether its strategies to reduce the level of staff turnover are reflective of the factors contributing to staff exiting the organisation and are proving to be effective.

Recommendation 85: **Within the next 18 months, the Victorian Auditor's Office provide to the Public Accounts and Estimates Committee an assessment of whether the strategies under its Strategic People and Culture Management Framework have been effective in combating high staff turnover in the Office.**

20.6 Organisation

20.6.1 Timely preparation and tabling of Annual Report

Given that the Office's Annual Report for 2007-08 was tabled on 21 August 2008, the Committee was interested in obtaining an understanding of any innovative ideas introduced by the Office that enabled this outcome to be achieved. Sharing of such initiatives could assist other agencies improve their performance in this area. The Committee is of the belief that all agencies should be able to table their annual reports within three months of the end of the financial year.

The Committee was advised that a priority of the Office was to lead by example and deliver its Annual Report in a timely manner. To enable this to be achieved, systems and processes for ongoing monitoring and the timely acquittal of both financial and non-financial outcomes on a progressive basis throughout the year were set in place.[554]

Importantly, the focus of the Annual Report according to the Office was to provide a performance acquittal against the Office's deliverables, rather than using it as a broader marketing tool which may detract from reporting of the core financial and performance requirements in a timely manner.[555]

551 ibid.
552 ibid.
553 ibid.
554 ibid., p.2
555 ibid.

The Committee reiterates its continuing view that departments and agencies need to ensure that their annual reports are tabled in an earlier timeframe. The outcome achieved by the Victorian Auditor-General's Office in this regard should be used as a benchmark for the public sector. Further comment along these lines is included in Chapter 19 of this report. This issue will also be considered in the Committee's *New Directions in Accountability* report, due to be tabled in 2009.

20.6.2 Cost of performance audits

The Committee noted that the overall actual costs for the 29 performance audits tabled in 2007-08 (which included one of the better practice guides titled *Local Government Performance Reporting*) exceeded budget by 4.4 per cent; an outcome that was within the Office's internal target of 10 per cent. For 11 audits, actual costs exceeded the original approved budget by more than 10 per cent.[556] Table 20.5 shows these variances for each audit together with the reasons for each variance.

Table 20.5: Victorian Auditor-General's Office Performance audits original approved budget exceeded by more than 10 per cent costs and reasons

Audit	Actual cost greater than budget %	Reason for unfavourable variance		
		(a)	(b)	(c)
Implementation of the Criminal Justice Enhancement Program (CJEP)	94.4		X	X
Delivering HealthSMART – Victoria's whole-of-health ICT strategy	89.7	X		X
Project Rosetta (Streams 1 and 2)	40.7	X		X
Performance Reporting by Public Financial Corporations	24.3		X	x
Funding and Delivery of Two Freeway Upgrade projects - Concession Notes	23.8			X
Review of South East Water's Works Alliance	23.8		X	x
Parliamentary Appropriations: Output Specifications	22.9			X
Management of Specific Purpose Funds by Public Health Services	19.2			X
The New Royal Women's Hospital – a public private partnership	15.2	X		
Performance Reporting by Local Government	15.0			X
Funding and Delivery of Two Freeway Upgrade projects - Calder Tullamarine Interchange	11.9			X

Notes: *(a) Delays experienced in obtaining access to key information.*

(b) Delays experienced in finalising preliminary and proposed audit reports due to new information being introduced and/or provided by the client after the end of the audit conduct phase.

(c) Unplanned changes in staff due primarily to staff turnover, especially at the engagement leader and audit manager level, which necessarily led to some duplication of effort, and in some cases to the need to deploy higher cost resources than originally planned.

Sources: *Victorian Auditor-General's Office, Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part One, pp.3-4 and Attachment A (for question 2.1a)*

In relation to delays experienced in gaining access to Cabinet material, the Committee was informed that with regard to the planned performance audit report that was not able to be completed in 2007-08, this audit covering the 'Buy-back of Intra-State Rail Infrastructure' was adversely impacted by multiple delays and difficulties in obtaining access to Cabinet-In-Confidence and other material during the conduct phase of the audit.[557]

[556] ibid., p.3
[557] ibid., p.5

In addition to addressing this issue with the Secretary of the Department of Premier and Cabinet (DPC) and separately with departmental secretaries in May 2008, the Auditor-General's Office understands that the Secretary of DPC has reinforced his message with all secretaries, and they are now on notice that any future delays will result in the Office resorting to using the provisions of Section 11 of the *Audit Act* 1994. This section gives the Auditor-General the power to call for persons and documents to appear before him and to produce to him all such documents in the possession, custody or control of such a person as appear to be necessary for the purposes of their examination. The Auditor-General has also raised the Office's experience in accessing Cabinet in Confidence material with the Minister for Finance and Audit Committee Chairs.[558]

The Committee noted the following views of the Auditor-General on this issue that were included in the Office's Annual Report:[559]

> *…over the year just ended, there has been a worrying trend in a few agencies to delay the provision of relevant documentation to VAGO in the course of our audits. Obstructions to the audit process directly affect the cost and timeliness of our audit program. They also delay the provision of advice and assurance to the Parliament. I have communicated my concerns at several forums and emphasised that cooperation with the audit process is an essential aspect of public sector accountability in Victoria.*
>
> *In this respect, I have been comforted by the assurances I have since received of future agency cooperation. I am also pleased that recent collaboration with the Department of Premier and Cabinet is likely to minimise delays through the development of more explicit protocols protecting the Victorian Auditor-General's Office's timely and unfettered access to crucial documents.*

The Committee wishes to be kept informed if the Auditor-General experiences any difficulties in completing planned performance audits due to delays experienced in accessing Cabinet in Confidence material deemed necessary to discharge his legislative mandate.

In contrast to budget overruns, the Committee also observed that for four audits, actual costs were below the original approved budget by more than 10 per cent. These audits were:[560]

- Maintaining the State's Regional Arterial Road Network (28.3 per cent);
- Records Management in the Victorian Public Sector (22.1 per cent);
- Planning for Water Infrastructure in Victoria (15 per cent); and
- Funding and Delivery of Two Freeway Upgrade projects - Westgate Monash Upgrade (13.6 per cent).

The Committee believes the Office should identify the factors that enabled these audits to be completed significantly below budget, together with the composition of key cost items and cost items avoided, with a view to applying any of the lessons learnt to the conduct of future performance audits. In noting the remedial action taken to address the outcomes from the client survey covering the financial audit function for 2007-08, the Committee suggests that the technique, which involved Financial Audit Directors with higher than average client survey results in the area of reporting presenting on their approaches at regular Directors' meetings,[561] could also be applied to disseminating good performance audit practices at performance audit debriefings.

Any salient features surrounding the way these audits were conducted could also be used as a basis for continually updating the Office's performance audit methodology with a focus on undertaking performance audits in the most cost effective manner.

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558 ibid.

559 Victorian Auditor-General's Office, *Annual Report 2007-08*-08, p.6

560 Victorian Auditor-General's Office, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 8 December 2008, p.3

561 ibid., p.21

The Committee is aware that the Office has been very successful in significantly reducing the average cost of performance audits, while substantially increasing the number undertaken. Since 2003-04, the average cost of undertaking a performance audit has reduced by 38.8 per cent from $466,823 (nine performance audits completed in 2003-04)[562] to $285,896 (29 performance audits tabled including one of the better practice guides) in 2007-08.[563]

Recommendation 86: **The Victorian Auditor-General's Office investigate the factors that have led to the completion of some performance audits significantly below budget. The identification of good practices derived from such an analysis be used to update the processes contained in the Office's performance audit methodology.**

20.6.3 Expenditure incurred on financial audits

The Committee undertook an analysis of the fees generated in 2007-08 from financial audits compared to the prior year. Information provided by the Office relating to the setting of audit fees is set out below.[564]

In compliance with the *Audit Act* 1994, fees are set to recover reasonable costs and are not intended to generate a profit. While the setting of audit fees at the macro level is a relatively straight forward process, managing the fees for individual clients is much more difficult. This is due to client fees being driven by:

- the outcomes of the audit planning cycle and the impact on the number of audit hours required;
- costs associated with in-house labour costs and charge out rates for in-sourced audits;
- audit service provider costs for costs which are out-sourced;
- a change in scope of the audit due to change in functions of the audit. For example, where a dormant company has become active;
- amended accounting and auditing standards e.g. the new standard requiring increased disclosure of financial instruments; and
- rotation between audits being conducted in-house and outsourced.

These are issues that the Office seeks to moderate over time.

The 2007 Performance Audit of the Office concluded that it is reasonable to write-on time when financial audit costs are less than budget and to write-off time where costs exceed budget (where there is no justification for seeking an increased fee from an agency). In 2007-08, write-offs exceeded write-ons by $0.252 million, which equates to 1.4 per cent of the Office's total audit fees of $17.9 million.

Advice is that common industry standard is for the cost of audit fees to fluctuate by plus or minus 20 per cent. In 2007-08, the Office increased financial audit fees at a macro level by 8 per cent, subject to additional increases for the reasons outlined above.

The Committee noted that the largest increases in audit fees billed in 2007-08 compared to the previous year related to the following categories of clients/financial audits: State Accounts (14 per cent), universities and other educational institutions (13 per cent), regional library corporations (13 per cent) and departments and other independent budget sector agencies (11 per cent). Relevant particulars are shown in Table 20.6.

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562 Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Outcomes*, p.159

563 Victorian Auditor-General's Office, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 8 December 2008, Attachment A

564 ibid., p.15

Table 20.6: Expenditure incurred on financial audits largest variations in total fees billed 2007-08 compared to 2006-07

Category of client	2006-07 Total fees billed ($)	2007-08 Total fees billed ($)	Variance ($)	Variance %
State Accounts (a)	475,630	543,620	67,990	14
Universities and other educational institutions	1,344,195	1,515,090	170,895	13
Regional library corporations	69,100	77,900	8,800	13
Departments and other independent budget sector agencies	2,536,658	2,808,520	271,862	11

Notes: (a) Comprises the audits of the Annual Financial Report and the Estimated Financial Statements.

Source: Table compiled by the Committee from information provided by the Victorian Auditor-General's Office in its Response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire - Part One, Attachment B.

20.6.4 Cost effectiveness of the Office's business units

In examining outcome achievement against the Office's objective to be cost effective,[565] the Committee inquired about how the Office assessed whether its business units were cost effective in 2007-08 and sought quantitative data to support outcomes achieved in this area.

The Committee was informed that the Office participates in the annual Australasian Council of Auditors-General (ACAG) Macro Benchmarking Survey, which compares the Office's performance with that of other Australian State and territory audit offices, and the Australian National Audit Office (ANAO).[566]

The preliminary results of the 2007-08 macro benchmarking report indicated the following:[567]

- the Office finalised 92 per cent of financial audits within four months of financial year end, which was well in advance of the average of other offices of 78 per cent finalised at that time;
- the Office's average elapsed time for Performance Audits/Performance Management Systems Audits reduced from 12.6 months in 2006-07 to 7.2 months in 2007-08, which placed the Office below the 2007-08 average of 9.4 months;
- for 2007-08, the Office had the lowest cost per unit output for State/Commonwealth financial audit opinions ($31,193 compared to the average of $66,880) and was slightly above the average cost per unit output for performance audits ($285,529 compared to an average of $278,289), notwithstanding the Victorian requirement for the preparation of an Annual Plan in consultation with the Public Accounts and Estimates Committee, and consultation with that Committee on individual performance audit specifications; and
- the Office's total audit costs per $'000 of public sector assets of $0.15 and per $'000 of public sector transactions of $0.32 is well below the national averages of $0.21 and $0.39 respectively. In addition, the Office has the lowest total financial audit costs per $'000 of public sector assets of $0.10 and second lowest total financial audit costs per $'000 of public sector transactions of $0.21.

The Committee congratulates the Office for operating in a cost effective manner compared to other audit jurisdictions in 2007-08. In view of the marked reduction in the elapsed time for performance audits, the Committee considers that this is an area where the Victorian Auditor-General's Office should disclose to the Committee the factors that have enabled this outcome to be achieved.

565 Victorian Auditor-General's Office, *Annual Report 2007-08*, p.2

566 Victorian Auditor-General's Office, response to the Committee's 2007-08 Financial and Performance Outcomes Questionnaire, received 8 December 2008, p.24

567 ibid.

However, the Committee notes that not all financial audits were completed within four months of financial year end. In general, the Committee believes all agencies should issue their audited accounts within three months of the end of the financial year. As such, it is the view of the Committee that the Office should have a performance target of '100 per cent of financial audits completed within three months of the end of the financial year'.

Recommendation 87: **The Victorian Auditor-General's Office brief the Public Accounts and Estimates Committee on the measures that enabled it to achieve a significant reduction in the average elapsed time for performance audits from 12.6 months in 2006-07 to 7.2 months in 2007-08.**

Recommendation 88: **The Victorian Auditor-General's Office set a performance target for 100 per cent of financial audits to be completed within three months of the end of the financial year.**

APPENDICES

APPENDIX 1: Departmental Outcomes achievements

1.1 Introduction

The Committee gave departments the opportunity to outline the main five outcomes achieved in 2007-08 for each portfolio within their department. Departments were asked to quantify achievements wherever possible against planned outcomes/targets, particularly as outlined in the *2007-08 Budget Papers*. A summary and evaluation of the responses is contained within Chapter 11 of this report. This appendix is simply a record of the responses received from departments.

1.2 Department of Education and Early Childhood Development

The Department achieved the following Growing Victoria Together goals and targets for education and early childhood services in 2007-08.

1. **Participation rate in kindergartens** – The rate of four year old participation in kindergartens increased from 93 per cent in 2006 to 94 per cent in 2007.
2. **National benchmarks for reading, writing and numeracy** – In 2007, more than 93 per cent of Victorian Year 3 students achieved the national benchmark in reading, writing and numeracy while more than 91 per cent of Year 5 students achieved the national benchmark. 94.9 per cent of Year 7 students met the benchmark for reading and more than 95 per cent met the benchmark for writing.

   In 2008, the new National Assessment Program – Literacy and Numeracy (NAPLAN) tests showed that more Victorian students are at or above the national minimum standard compared with Australia as a whole.
3. **Year 12 or equivalent completion** – 86.1 per cent of the 20-24 year old cohort completed Year 12 or its equivalent in 2007, an increase of 85.5 per cent from the previous year. The Victorian result for 2007 was higher than the national average of 83.5 per cent.

   The completion rate is tracking towards the target of 90 per cent in 2010.
4. **Victorian Schools Plan** – In 2007-08, 131 schools received funding under Stage One of the Plan. Planning for two new selective entry schools in Melbourne's urban growth areas also commenced. A dedicated Program Management Office was established to achieve the target to build, rebuild or modernise 500 schools by 2011.
5. **G*o For Your Life* schools programs** – Several key programs were implemented in 2007. These programs promote the benefits of physical activity and health eating habits.

   Under the programs, 183 government schools received the second round of Healthy Start in Schools grants, while 805 schools received grants under the second phase of Free Fruit Friday program. The programs also included phase one of the Kitchen Garden project with Stephanie Alexander.

1.3 Department of Human Services

The Department of Human Services' mission is to protect and enhance the health and wellbeing of all Victorians, emphasising vulnerable groups and those in need. The department has six objectives and associated outcomes. These are listed below along with achievements for 2007-08.

Building sustainable, well managed and efficient human services.

- implemented initiatives to assist CSOs with workforce recruitment, support and retention;
- developed a model for establishing a community services sector staff bank;
- foundation work for establishment of Portable Long Service Leave (PLSL) scheme for the community services sector completed;
- report completed by URCOT, and funds have been allocated to a demonstration project;
- the State Government allocated $1.2 million for PLSL scheme;
- increase in the number of mental health clinicians in Emergency Departments across fifteen health services by the recruitment of additional mental health clinicians;
- establishment of a statewide early intervention family services system;
- commencement of the Family Support Innovation Projects to provide statewide coverage in early intervention services for vulnerable families;
- the number of operational Family Support Innovation Projects was 79 at the end of 2007-08 against a target of 79;
- *Disability Act 2006* became operational from 1 July 2007. The new Act provides a framework for the delivery of supports based on a person's individual requirements, with stronger accountability to regulate and provide safeguards for service provision in relation to access, individual planning, complaints and review, residential rights, and quality outcomes;
- the new Act replaced the *Intellectually Disabled Persons' Services Act 1986* and *Disability Services Act 1991*;
- throughout 2007-08 the department supported the *Disability Act 2006* Implementation Advisory Group, which comprises people with a disability. The group provided invaluable advice on policy and information development matters emerging from the implementation of the Act;
- information sessions were facilitated by the Victorian Advocacy League for Individuals with Disability Inc (VALID) and were positively received by all stakeholders. In response the engagement of VALID, information sessions across the State have been extended into the 2008-09 financial year;
- a range of tools and resources, particular electronic formats, have been revised or developed and made available to all disability service providers to support implementation of the new Act with the aim of minimising the administrative burden imposed;
- the schedule to review all policies developed to support the Act is well on track, with all reviews to be completed by the end of 2008 as planned;
- information about the Act has been made available in accessible formats including: large print, audio, 16 community languages, Braille and Easy Read;
- implementing the food regulation reforms announced February 2008;
- reviewing Supported Residential Services (SRS) legislation to improve protections to residents while eliminating unnecessary regulatory costs;

- estimated reductions in administrative regulatory costs by $20 million from the food reforms (estimates published in Feb 2008 anticipated to be realised in 2009-10); and
- public discussion paper released.

Providing timely and accessible human services.

- high quality, accessible health and community services;
- the Commonwealth Government released two major publications: *State of our public hospitals and Australian hospital statistics, 2006–07*;
- these reports show the strong performance and accessibility of the Victorian public hospital system in 2006–07 compared with Australia as a whole;
- on average, on any single day 3,700 Victorians access public hospital emergency departments; 18,000 patients are treated in hospital beds; 200 babies are born; and ambulance services transport 1,218 emergency cases;
- Victoria compared favourably in all areas of public hospital activity including emergency department treatment times, median waiting times for elective surgery and treatment of admitted patients in public hospitals;
- in 2007–08, there were 1,393,180 admissions to public hospitals – an increase of 36,901 or 2.7 per cent compared with 2006–07;
- in 2007–08, 1,350,046 patients attended the 38 Victorian public hospitals with 24-hour emergency departments – an increase of 47,316 patients or 3.6 per cent compared with 2006–07;
- a commitment to addressing demand for elective surgery has been made through a $25.8 million package for hospitals, in addition to the $34.2 million contribution made by the Commonwealth Government as part of the Elective surgery waiting list reduction plan early in 2008;
- the combined $60 million has been made available this year to provide elective surgery to more than 9,400 additional Victorians and to help hospitals increase their elective surgery capacity through capital works and equipment improvements;
- at 30 June 2008 there were 37,529 people waiting for elective surgery, representing 0.7 per cent of the Victorian population. This is down 6.9 per cent on the 40,301 people who were waiting for elective surgery at the end of December 1999;
- Aged Care Land Bank - $4.5 million – has been committed to purchase land at Lower Templestowe and Nth Williamstown sites subject to satisfactory resolution of sale conditions;
- Nathalia District Hospital Aged Care Redevelopment - $18.0 million – This is currently under construction, estimated completion November 2009;
- Leongatha Hospital Stage 1, Residential Aged Care - $10.0 million - construction has been completed October 2008;
- Caulfield GMC - $28.0 million – This project is in pre-construction phase, with tenders being finalised. Construction is expected to commence in early 2009;
- Calvary HC - $1.6 million – This project completed in November 2008;
- Regional Food Kitchen - $6 million – payment was made to Regional Food Kitchen P/L before the end of June 2008. The company is using the funds to purchase land and to contribute to the costs of construction of the facility. It is expected to open in 2010;
- these facilities will support and improve services which currently deliver 4,000 high care places and 2,200 low care places;
- HACC – funding of $11 million purchased an additional 215,000 hours of service as well as contributing to other activities, including HACC assessment and Flexible Service Response, supporting older people and their carers and reducing isolation and maintaining social links;

- services like HACC and Personal Alert Victoria (PAV) increase the ability of senior Victorians to live independently in their homes. PAV provided around 21,250 personal alert units each day across the state;
- Rural Maternity Initiative – continuation of provision of greater options for rural women during pregnancy and birth (see below);
- Youth Early Psychosis Services established (20 new positions);
- four new YEP services funded (at Austin Health, Bayside Health, Melbourne Health's Northern Area Mental Health Service and St. Vincent's). By the end of the reporting period, three of these had become operational, with service provision in the Northern AMHS YEP commencing in September 2008;
- four new beds opened to expand residential rehabilitation services targeting women with mental illness who are homeless or at risk of homelessness;
- expansion of Aged Persons Mental Health residential services - 15 new beds;
- establishment of new Prevention and Recovery Care (PARC) services;
- four new PARC services opened (delivering 40 new beds) in Bairnsdale, Bendigo, Geelong & Melbourne;
- each day Mental health services provided on average, 2,815 hours of clinical treatment across the state;
- the daily average of drug and alcohol treatment courses started each day was 144;
- the Sexual Assault Demand Management strategy which aimed to provide more timely counselling and support to children was implemented during the year;
- sexual assault support services clients receiving an initial response within five workings of referral occurred in 95% of cases against a target of 80%. The result in 2005-06 before the demand management strategy was introduced was 85%;
- the Strategic Replacement and Realignment Program (SRRP) capital program to replace outmoded non-compliant facilities, and refurbish and reconfigure the shared supported accommodation program asset base to meet current demand in more sustainable and appropriate facilities; and
- SRRP completed Stage 1 in 2007-2008 on budget and on time, which included the delivery of 44 new builds and 3 major refurbishments.

Improving human service safety and quality;

- $1.7 million was allocated in 2007-08 for 38 projects across 6 small health services, 6 bush nursing hospitals, and 14 bush nursing centres;
- Rural Maternity Initiative (RMI) – continuation of provision of greater options for rural women during pregnancy and birth;
- the RMI was externally evaluated in 2007 which found enhanced sustainability of rural maternity services, improved clinical outcomes for women & babies at RMI funded hospitals, lower intervention rates eg. 68% normal vaginal birth rate (comparative hospitals: 55.5%), reduced low weight babies (<3%) and admissions to special care nurseries (5.1% comparative 13.5% -15.7%), improved consumer satisfaction with models of care increased options of care for rural women, improved access to clinical care for women improved professional relationships between maternity clinicians retention and recruitment of maternity workforce, and enhanced care for women in their own local community rather than having to travel long distances for care;
- embedding legislative reforms which are guided by the 'best interests principle' for protecting children and young people from harm and abuse;

- the number of child protection reports was predicted to increase to 41,600 to include new report types and heightened public awareness associated with the reforms. At the end of 2007-08, the total number of child protection reports received was 40,940. Our ongoing efforts combined with the legislative reforms have resulted in Victoria maintaining almost zero growth in child protection notifications;
- under the new CYFA Act, all providers of out of home care and family services are to be registered and comply with a set of standards as set out in the legislation. For the first year of operation, organisations were expected to undertake internal reviews; and
- the results showed that 96% of organisations complied with the requirement to undertake an internal review in relation to the standards required for registration.

Promoting least intrusive and earliest effective care.

- Child Protection services provided family services to an average of 23,150 families; responded to 114 new child protection reports; and cared for 5,400 children in care on any given day;
- Victoria has the nation's lowest rate of juvenile supervision in detention. The rates reflect the Victorian Government's emphasis on early intervention and diverting young people from custody where appropriate. Our intention was to continue to maintain this low rate of juvenile supervision in detention for the year;
- the average daily number of young people in custody was 158. Although the AIHW juvenile justice report for 2007-08 will be not released until 2009, the 2006-07 report confirmed our current status as the state with the lowest rate of juvenile supervision in detention;
- the redevelopment of Kew Residential Services is one of the most significant achievements for people with disabilities in Victoria;
- the redevelopment comprised of two key components – the relocation of the KRS residents and the redevelopment of the existing Kew site creating new Community Houses and private residential dwellings;
- the last remaining KRS residents were moved in April 2008, equating to a total of 377 people over the life of the project who were moved into 73 purpose-build homes across the Melbourne area and the state where they can share the ordinary experience of local communities;
- 20 the new on-site houses were handed over in April 2008, completing the Kew Residential Services Redevelopment - Accommodation component;
- provided alternative accommodation and support options for younger people in residential aged care (RAC) who choose to move, and for whom a suitable alternative can be created;
- minimise the number of new admissions of younger people to RAC by making more appropriate supports available;
- enhance the supports for those younger people who remain in RAC because this is what they choose;
- all new young people admitted into residential aged care were contacted in relation to the program, and since its inception over 300 younger people living in Victorian RAC services have been contacted and provided with information about My Future My Choice;
- 9 people have been assisted to leave their RAC service and find alternative accommodation & support;
- 20 people have avoided entry to RAC through the provision of individualised support to remain at home or in other community accommodation;
- over 100 continue to receive enhanced support packages whilst living in RAC (either because this is what they choose or because they are waiting for alternative accommodation to be made available);

- the Vehicle Modification Subsidy Scheme is an initiative under the Victorian Aids and Equipment Program which commenced operation in June 2008;
- implementation of this initiative had been brought forward as it was not due to commence until 2008-09;
- the scheme assists Victorians of all ages with a long-term disability who require vehicle modifications to either drive their primary vehicle or to travel as a passenger in their primary vehicle. A maximum subsidy of up to $10,000 is available to assist with the purchase of prescribed vehicle modifications to suit individual circumstances;
- a total of 12 individuals were approved for a subsidy in the 2007-08 financial year, ahead of full implementation of this initiative in 2008-09; and
- the total value of these applications for 2007-08 was $98,138. The average subsidy was $7,549. The full subsidy of $10,000 was approved for 69% of applications;

Strengthening the capacity of individuals, families and communities.

- *Go for your life*! community education program delivered across Victoria;
- this was delivered at over 260 schools across Victoria and over 41,000 school children. and at over 230 community events;
- HACC – funding of $11 million purchased an additional 215,000 hours of service as well as contributing to other activities, including HACC Assessment and Flexible Service Response, supporting older people and their carers and reducing isolation and maintaining social links;
- services like HACC and Personal Alert Victoria (PAV) increase the ability of senior Victorians to live independently in their homes. PAV provided around 21,250 personal alert units each day across the state;
- the daily average of drug and alcohol treatment courses started each day was 144;
- Child Protection services provided family services to an average of 23,150 families; and
- Disability Services supported over 13,000 people to live and participate in the community.

Reducing inequities through improving health and wellbeing, particularly for disadvantaged people and communities.

- Oral Health Capacity Building to improve oral health outcomes for Victorians living in rural and regional areas and for disadvantaged senior Victorians;
- supported Residential Services Dental – funding was allocated to 2 pilot projects and DHSV for the development of kits, resources and project staff;
- Fluoridation - Water Fluoridation commenced in Castlemaine and Warrnambool. Statewide coverage is currently at 78%. Water authorities have been directed to commence the processes to construct fluoride plants in a further eight communities with a total population of 418,900;
- new regional dental school - support the establishment of a new pre-clinical teaching laboratory at La Trobe University's Bendigo campus with capital funding provided for satellite clinics in Wodonga, Mildura and Melton;
- in 2008 the first dental students were enrolled in La Trobe Bachelor of Health Science in Dentistry/Master of Dentistry, with an intake of 60 students, who are expected to graduate in 2012;
- the new course paves the way for an increase of dentists trained in rural Victoria, leading to increased workforce available for public service delivery to the regional communities of the Loddon Mallee, Grampians and Upper Hume regions;

- the capital funding has enabled expansion of an existing preclinical teaching laboratory in Bendigo (from 9 to 19) chairs and additional dental chairs at three new clinics at Melton, Wodonga and Mildura, which are currently at various stages of development;
- better dental health for seniors is providing more dentures to disadvantaged older Victorians. From July 2007 to June 2008 the average waiting time for dentures decreased from 21 months to 13 months, a decrease of eight months;
- the number of patients receiving care for emergency dentures and general denture increased from 43,860 in July 2007 to 51,817 in June 2008, an increase of 7957 patients. The number of denture treatments increased from 200,501 in July 2007 to 227,209 in June 2008, an increase of 26,708 treatments;
- with a plan to deliver 1,150 properties for long-term housing, 1,262 units were delivered, exceeding the target by 112 units;
- with a plan to assist 31,450 with housing establishment funding, 33,450 were assisted with housing establishment funds, exceeding the target by 2,000;
- facilitate the registration of housing agencies. The Housing Registrar conducted registration rounds of not-for-profit housing organisations seeking to manage properties beyond December 2008. By 30 June 2008, eight housing associations and four housing providers were registered;
- the redeveloped Parkside estate in Shepparton was launched, replacing 84 ageing cluster units with a mix of environmentally efficient one, two, three and four bedroom properties; and
- successfully piloted and reviewed of statewide homelessness referral framework.

1.4 Department of Innovation, Industry and Regional Development

The Department achieved the following Growing Victoria Together and Moving Forward goals and targets in 2007-08:

- The International Coordination Office (ICO) was established in June 2008. The ICO is well in the process of delivering reforms in global markets. This includes an integrated response to businesses seeking to invest trade and migrate to Victoria. Activities are more tightly linked, across industry, education, tourism, primary industries and migration;
- The Skills Stores Initiative was launched in July 2007. All 13 Skills Stores started operations within 12 months of launch. Skills Stores provide free advice to employers and individuals on skills recognition, workforce training options and provide school career advisers with training information;
- the Department delivered 7 trade fairs, through the ICT Trade Events and Export Assistance Program, and promoted ICT strengths to key international markets. 48 ICT companies accessed the ICT Trade Events and Export Assistance Program, more than double the target of 20;
- 73 projects were funded under the Small Town Development Fund. The fund supported various types of projects, including tourism, water saving and re-use, industrial estates, halls, community centres, parklands and rail-trails; and
- the Department assisted 325 small businesses with workforce planning assessments and action plans through the My Business My People Program. More than 7,000 small businesses participated in one or more programs, including Grow Your Business and Under New Management workshops.

1.5 Department of Justice

The Department of Justice achieved the following *Growing Victoria Together* and *A Fairer Victoria* goals and targets in 2007-08. Further details can be found in the Department's 2007-08 Annual Report.

Attorney-General

Working with Children Checks

The Working with Children Check scheme has helped to protect children from harm by checking that people who work or care for children are suitable to do so. This involved checking all applicants' criminal histories for serious sexual, violence or drug offences, and for any relevant findings from professional disciplinary bodies. This information is used to assess the risk posed by the applicant to the safety of children.

Ongoing monitoring ensures that cardholders continue to be checked for new relevant offences or disciplinary findings. If a cardholder commits a relevant offence after passing the check, their right to hold a card is reassessed.

Employers, volunteer organisations and agencies are required to ensure that staff who have received negative notices do not work with children. Employers, volunteer organisations and agencies face criminal sanctions if they fail to do so.

In 2007-08 there were 227,299 checks conducted and 85 negative notices issued.

The large number of applications demonstrates that the Victorian community has embraced the scheme. The number of checks conducted in the 2006-7 financial year significantly exceeded forecasts, demonstrating a strong commitment by the community to protect children.

Notwithstanding the significant number of applicants, the average turn around time to process and issue and assessment notice and card to applicants was just 18 days.

Review of Gambling Licences

Review of lotteries licences, which was concluded during 2007 and the first phase of the review of the electronic gaming machine, keno and wagering licences, which was concluded in April 2008.

Lotteries Licences:- two separate licences have been granted introducing competition to the Victorian lotteries market for the first time.

New Arrangements for Electronic Gaming Machines:- the existing Tatt's Group and Tabcorp gaming operator duopoly will transition to a venue operator system when the existing gaming machine licences expire in 2012

The Keno Licence-: there will be a single keno licence post 2012, which has also been opened up to a competitive tender process.

Arrangements for Wagering:- wagering arrangements after 2012 will continue under the existing exclusive pari-mutuel and fixed odds licence model, but the single licence will be opened up to a competitive tender process.

Future Funding for the Racing Industry:- the Victorian racing industry currently receives 25 per cent of Tabcorp's gaming machine profits but this will not continue under the new arrangements.

Reducing Re-offending

Women offending. In April 2008, a *Better Pathways* report card was released by the Department, which illustrates that achievements towards reducing women's re-offending since the program was initiated in November 2005 with a 4-year investment of $25.5 million in better facilities, support programs and services;

- an intensive pre and post-release case management program is addressing critical integration issues such as access to long-term, affordable, secure housing and to education, training and employment programs, as well as a range of other support programs. The program is now supporting up to 100 high-risk, high-need women per year; and
- an ambitious building program has been completed at the Dame Phyllis Frost Centre, enhancing the capacity of this 260-bed maximum security women's prison to deliver rehabilitation services effectively in an environment that is conducive to behavioural change. This includes the new Marrmak Mental Health Unit, expanded education and prison industries buildings, an upgraded medical centre and the refurbished visitors centre.

Prisoner transition:- The Judy Lazarus Transition Centre in West Melbourne is a secure residential facility that provides up to 25 carefully selected male prisoners who are nearing the end of their sentence, with a supervised pathway back into the community. Selected offenders must be serving a sentence of at least 3 years or be the type of repeat offenders who have been in prison so regularly they are sometimes serving 'life by instalments'. Since opening in 2007, the centre has taken 53 prisoners. Fifteen residents have graduated after completing their minimum sentence and are now on parole. More than 20 welfare agencies and non-profit organisations are providing work opportunities for residents of the centre.

Protecting Human Rights

A charter implementation report, released by the Victorian Equal Opportunity and Human Rights Commission in April 2008, noted that government departments were well placed to meet the obligations of the charter and encouraged both state and local government agencies to engage with local communities on human rights issues.

The Department implemented a communications plan to raise the awareness of the charter amongst more than 270 government bodies and provided training in charter operations for more than 800 legal advisers, policy officers and service delivery staff.

Compliance with Consumer Laws

Consumer Affairs Victoria (CAV) has realigned compliance and enforcement to maximise effectiveness in deterring those who breach consumer laws. In particular, CAV has undertaken several complex cases in the Supreme Court and won its first significant High Court application. It has actively pursued civil action, recovery for consumers and has advocated for higher penalties especially for repeat offenders. These actions are designed to send a message to traders and business that breaches of the consumer law will be taken seriously by CAV.

Complex cases won by CAV:

- Australian Finance Direct;
- Landmark Homes (Aust) Pty Ltd;
- Geeveekay Pty Ltd; and
- Merringtons Pty Ltd.

Large penalties awarded by the courts:

- Frank Cassar;
- Joseph Frendo ala Joe Capri;
- Samuel Halaseh aka Bassem Halaseh; and
- Matrix Pilates and Yoga Pty Ltd and Craig Langley Pty Ltd.

Victoria leading the nation in unfair contract terms:- VCAT found terms that prevented members from cancelling memberships during a minimum period, permitted automatic direct debit after the minimum term expired, and attempted to limit the rights of consumers under contract and the general law were unfair.

CAV's Compliance and Enforcement activity is closely aligned with the Consumer Protection principles of the Victorian Government's "*A Fairer Victoria*" strategy.

Victoria Police

Reduce crime rate

- 1.9 per cent reduction for 2007-08 when compared with the same time in the previous year.

Reducing road toll and incidence of road trauma

- The road toll at the end of June 2008 was 333 deaths, two less than at the same time in the previous year.

Increase perceptions of safety above the 2002-03 baseline of 89.5 per cent

- At the end of 2007-08, perceptions of safety was at 91.8 per cent

Increase customer satisfaction above the 2002-03 baseline of 83.0 per cent

- At the end of 2007-08 customer satisfaction was at 83.0 per cent.

Fire and Emergency Services

Better Emergency Preparedness and Response

During 2007-08, the Emergency Services Commissioner reviewed two events, a chlorine fire in December 2007 in the Tottenham community (Westpoint) and a major windstorm in April 2008.

The review into the outcome of the storm addressed ways of improving storm response procedures and minimising the impact of future such events. It also identified greater opportunities for building community resilience and improved communications across and between government and essential service distributors and retailers. The review recommended better use of the media before, during and after and identified ongoing community education and awareness.

The Westpoint Report highlighted the significance of local government in emergency management and the important role public information plays in supporting a community through an emergency. Standard emergency practices are being revised to incorporate recommendations from this report to assist communities in their resilience.

The windstorm event in April 2008 saw gale storm winds ravage part of the State and cut power to more than 420,000 residents across Victoria. During the windstorm, VICSES had 5380 requests for assistance throughout the emergency, with the majority of calls coming from the Melbourne metropolitan area. This event was the second largest operation in the history of the service. The MFB usually responds to up to 100 calls a day but the windstorm generated 902 calls and 295 responses. Of those more than 120 calls were for fallen power lines.

Recommendations from such reviews have improved the State's preparedness and response to events and assist in minimising the impact of future adverse weather events while increasing community resilience in recovery. As an example of this community-based commitment, VICSES in 2007-08 responded to 20,317 tasks with a total of 135,566 volunteer hours.

Effective Emergency Management Capability

Emergency management performance is continually evaluated and areas for improvement are identified. Victoria leads Australia with the highest percentage of households with operating smoke alarms – 97.2% (95.5% in 2006-07). Victoria reported 73.7% fires contained to room of origin compared to 73.9% in 2006-07.

Effective Response

Victoria's emergency services, in conjunction with the call taking and dispatch agency (ESTA) ensure that there is rapid response to requests to incidents.

- In 2007-08 Victoria reported a response time to structure fires of 9.5 minutes in the 90th percentile, the same result as 2006-07. There were 6,051 structure fires in 2007-08 compared to 6,039 in 2006-07;
- VICSES responded to 20,317 tasks, a total of 135,566 volunteer hours. During the windstorm VICSES had 5,380 requests for assistance;
- MFB attended 35,673 calls, averages 100 responses per day. During windstorm attended 295 responses;
- CFA total number of incidents attended was 38,892. A total of 71,518 brigade turnouts; and
- ESTA answered 1,861,047 calls which equates to a call every 16 seconds. Calls to ESTA resulted in 1,292,307 dispatches.

1.6 Department of Planning and Community Development

All initiatives undertaken by the Department relate directly to the Department's Corporate Plan and link to the appropriate government strategy and priority.

Priority Outcome One

The Department undertook a number of activities aimed at improving the physical health of Victorians in 2007-08. The Premier's *Active Families Challenge* was launched in February 2008 and aimed to encourage more Victorians to become physically active and develop healthier eating habits. A significant number of Victorian families undertook the 30 minutes of physical activity a day for 30 days during the six-week period. The Challenge also served to increase awareness of the benefits of physical activity and healthy eating among Victorian families. More than 28,000 people registered for the Premier's Active Families Challenge, many of those being from families with young children. The three local government areas targeted for the Challenge had higher rates of participation, with almost one in five of all registrations and competitions coming from these areas.

The Department also continued to fund and contribute to increasing and maintaining recreational opportunities within local communities. The Department provided more than 740 grants to local sporting clubs towards the purchase of essential sports uniforms and footwear. In addition, the Department was involved in upgrading eight-joint school-community use playing fields across Victoria to create sustainable recreation opportunities. The Department also funded a new moveable pool floor at Melbourne Sports and Aquatic Centre that will increase its flexibility for a broader range of activities, including those for people with a disability.

Priority Outcome Two

The Department is leading a number of major reforms to Victoria's land use planning. The reforms aim to increase liveability, improve housing affordability and move towards long-term environmental sustainability. These reforms include the application of the Urban Growth Zone across all broad acre land in growth areas, covering both residential and employment land. The new Urban Growth Zone and associated precinct structure planning in the growth areas will help to save about a year in the development approval process. This will help to meet the strong demand for residential land and help with housing affordability. Precinct Structure Plans will also be developed for these new suburbs and will identify where various facilities will be located. This will mean that as new communities are established, important local services and infrastructure are also developed.

The Department has also improved the processes for making significant planning decisions in places of shared state and local interest that have an impact on the wider region. A number of funding programs fund the construction of community facilities, particularly those shared by a variety of users.

The Department has been instrumental in the establishment of New Development Assessment Committees which provide a third avenue that will allow state and local governments to partner in making significant decisions and ensure that local and city-wide interests are balanced.

Priority Outcome Three

The Victorian Community Support Grants program helped communities to achieve outcomes that mean the most to them through the development and maintenance of various community facilities. Under the program, funding is provided for three categories of grants: Planning, Strengthening Communities and Building Community Infrastructure. In 2007-08, 61 projects were approved to a value of $11.8 million. These projects were both community driven and responsive to the government's planning, community development and social inclusion priorities. They also build on opportunities for coordinated investment. The total amount for grants in the Planning category was $358,663; for the Strengthening Communities category it was $2,609,900 and in the Building Community Infrastructure category, the total was $8,836,759.

Priority Outcome Four

The Department is responsible for the administration of the *Aboriginal Heritage Act 2006* which established the Aboriginal Heritage Council. The Council provides expert and strategic advice on cultural heritage management to the Victorian Government. One of the ways the Council does this is through the appointment of Registered Aboriginal Parties (RAPs) as Aboriginal groups responsible for Aboriginal matters at the local level and ensures that Aboriginal cultural heritage matters are addressed prior to the construction phase of a new project. RAPs are in place for approximately one-third of Victoria.

They are also responsible for evaluating and approving the Cultural Heritage Management Plans. Cultural Heritage Management Plans set out the recommendations for measures to be taken before, during and after a high-impact activity in order to manage and protect the Aboriginal cultural heritage identified in the assessment. By 30 June 2008, more than 150 plans were evaluated and then approved within the 30-day legislated time frame by the RAPs. These plans will guide major developments, including large housing projects in metropolitan growth areas and major infrastructure projects such as roads and pipelines.

Aboriginal Affairs Victoria (AAV), one of the Department's business units, worked closely with the stakeholders to ensure they understood and complied with the requirements of the Act. AAV prepared resource material to help determine whether particular areas needed Cultural Heritage Management Plans and worked closely with RAPs to ensure that were able to discharge their responsibilities under the Act.

Priority Outcome Five

The *Bar None* project was an initiative led by the Department's Office for Disability to find long-term ways of helping to break down barriers creating unequal access to opportunities, transport and services for people living with a disability. More than 40 profiles of community members living with a disability were printed in local newspapers and delivered to thousands of Victorian households. The profiles ranged from sporting and community clubs making their facilities more accessible to advocacy groups making a real difference in their community, and to local businesses with a track record in including people with disabilities in their workforce. The coverage helped to create greater awareness of the disability support services available within local communities.

Bar None also targeted barriers and stereotypes in the mainstream media. Leader Community Newspaper journalists were given training in how to avoid stereotypes when reporting on disability issues. An editorial charter on how disability issues will be covered in the future was also developed through the *Bar None* project in order to ensure that the training resulted in long-term change.

1.7 Department of Premier and Cabinet

Planned outcome to be achieved in 2007-08	Description of actual outcome achieved in 2007-08	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1.Increased access to arts and culture	Actual attendances at Arts Portfolio Agencies exceeded target	BP3 performance measure: Access – number of users / attendances at all Agencies.	The Victorian Major Events Company provided assistance towards the Melbourne Winter Masterpieces exhibition program at the National Gallery of Victoria and at ACMI.	Aligned to: GVT outcome: Building friendly, confident and safe communities AFV Strategy: Providing fairer access to services
2. Increased access to arts and culture	Actual online visitor access to Arts Portfolio Agencies' websites exceeded target	BP3 performance measure: Access - number of online visitors to Agency websites	-	Aligned to: GVT outcome: Building friendly, confident and safe communities AFV Strategy: Providing fairer access to services
3. Increased access to arts and culture	Actual attendances at Major Performing Arts Companies exceeded target	BP3 performance measure: Number of attendances at Major Performing Arts Organisations	-	Aligned to: GVT outcome: Building friendly, confident and safe communities AFV Strategy: Providing fairer access to services
4. Increased access to arts and culture	Actual attendances at Major Festivals exceeded target	BP3 performance measure: Number of attendances at Major Festivals		Aligned to: GVT outcome: Building friendly, confident and safe communities AFV Strategy: Providing fairer access to services

National Gallery of Victoria

Priority Outcome One

Successful launch of Masterpieces for Melbourne campaign to restore the NGV's past buying power and ensure that great historic and contemporary masterpieces can be added to the State Collection for generations to come. Other agency involved: Arts Victoria.

Priority Outcome Two

Successful development of new online eduction materials, including collaboration with the Broadband Innovation Project. Other agencies involved: Multimedia Victoria and Department of Education and Early Childhood Development.

Priority Outcome Three

Regional Touring objectives met, including the first dedicated tour of the Victorian Foundation for Living Australian Artists acquisitions. Other agencies involved: Arts Victoria, Victorian Managed Insurance Agency and numerous regional Victorian galleries/local governments.

Priority Outcome Four

Guggenheim and Art Deco delivered combined independently assessed economic benefit to State of over $30 million. Overall, 28% of NGV visitors in 2007-08 were from interstate or international visitors. Other agencies involved: Australian Centre for the Moving Image, Arts Victoria and Victorian Major Events Company.

Priority Outcome Five

First Melbourne Winter Masterpieces exhibition directly managed by the NGV broadened audiences and attracted significant media interest. Other agencies involved: Australian Centre for the Moving Image, Tourism Victoria, Victorian Major Events Company, Arts Victoria and Victorian Managed Insurance Agency.

1.8 Department of Primary Industries

Priority Outcome One

The Premier and Minister for Agriculture launched the Whole-of-Government Future Farming Strategy on 23 April 2008. Providing $205 million over four years, the strategy aims to boost farm services, drive growth and innovation in agriculture and help the sector respond to new challenges. Producing the Future Farming Strategy required an unprecedented, department-wide effort.

Priority Outcome Two

Agreements were finalised for the following Energy Technology Innovation Strategy projects:

- HRL – $750 million Integrated Drying Gasification Combined Cycle (IDGCC) demonstration plant;
- International Power – $369 million coal drying, combustion and carbon capture project; and
- Solar Systems – $420 million large-scale solar photovoltaic demonstration facility.

Priority Outcome Three

Victoria is playing a leadership role in developing and promoting a national framework for primary industries research, development and extension, which is being coordinated through the Primary Industries Standing Committee – Research & Development Sub-committee.

Priority Outcome Four

As the lead state agency responsible for drought, the Department through Farm Services Victoria (FSV) worked collaboratively with other agencies to develop and deliver a series of on-ground initiatives to help rural families and communities in 2007-08, as part of the Victorian Government's $400 million drought assistance package.

Activities included:

- providing one-on-one extension for farmers covering horticulture, grains, dairy, meat and wool industries across the state;
- developing 'A Step Ahead' – Stories of Farming Life DVD, which was released in August 2008, and is a resource assisting farm businesses to make decisions about their future;
- providing grants to organisations in northern Victoria who suffered from reduced income as a result of the drought;
- assisting irrigated horticulture growers on the Goulburn or Murray system to access the services of independent consultants; and
- Sustainable Farm Families Program (in partnership with the Western District Health Service), which addresses health, well being and farm safety issues facing farming families.

Priority Outcome Five

$4 billion in new development projects for the resources sector were announced during the course of the year including:

- $2 billion Australian Energy Company (AEC) coal to urea fertiliser plant in the Latrobe Valley;
- $1.4 billion Kipper gas project in the Gippsland Basin;
- $275 million Henry gas project in the Otway Basin; and
- $209 million Murray Basin Stage 2 mineral sands project in Western Victoria.

VENcorp

Planned outcome to be achieved in 2007-08	**Description of actual outcome achieved in 2007-08**	**Quantitative or qualitative data to demonstrate outcome**
Work closely with stakeholders to maintain honest, open and clear lines of communication throughout the national Ministerial Council on Energy (MCE) reform process.	VENCorp has been working closely with the Ministerial Council on Energy (MCE) in preparedness for the transition to the Australian Energy Market Operator (AEMO)	Some of the work VENCorp has been involved in is: VENCorp was represented on the Market Operator Working Group (MOWG) that delivered to the MCE the AEMO implementation plan. An AEMO Implementation Steering Committee is now tasked with implementing this plan which includes: • Legal and regulatory framework; • Independent selection panel to appoint the Board; • Skills matrix for the Board; and • Corporate arrangements. **Stakeholder communications**: ensuring stakeholders are well informed and engaged in the transition to AEMO – VENCorp delivered a communications strategy which included an industry breakfast with guest speaker The Minister for Energy and Resources and a Chief Executive Officer 'road show' ensuring that all of the groups and forums which VENCorp has regular

Planned outcome to be achieved in 2007-08	Description of actual outcome achieved in 2007-08	Quantitative or qualitative data to demonstrate outcome
		contact with were able to discuss and understand fully the benefits of the new AEMO.
Provide Gas and Electricity Annual Planning Reports to stakeholders in November 2007 and June 2008.	Provided Gas and Electricity Annual Planning Reports to stakeholders in November 2007 and June 2008.	VENCorp's Victorian Annual Planning Report (VAPR) was for the first time amalgamated to cover gas and electricity. The VAPR ensures that there is a safe and reliable transmission system supplying energy to all Victorians. The purpose of the VAPR is to provide a ten year outlook forecast for energy demand and supply, and further identifies future development needs for the gas and electricity transmission networks. Key items of interest: Electricity summer demand forecasts. Two new electricity network augmentations are expected to be required within the next five years to overcome emerging constraints on the electricity network. Gas Powered Generation (GPG) forecasts reflect the expected Federal Government carbon related policies, which will affect the gas demand for GPG located in Victoria. Expected growth in GPG is expected to be significant from 2011 as an alternative to coal generation. To manage this increase in GPG demand, VENCorp is working on the timing of the next major augmentation to the gas transmission system.
Complete strategic projects identified in the Vision 2030 report including a wind power generation study; a strategic fault level review; and a site and easements review.	Vision 2030 is a 25 year vision for Victoria's Energy transmission networks and was published in 2005. Vision 2030 identified areas likely to require special attention and possible early action to ensure the transmission system can cater for future requirements. In 2007-08 a number of projects related to this report were completed.	**Wind Power Generation study:** The Wind Power Generation study was generated to ensure that the electricity transmission system was able to cater for the anticipated growth in wind powered electricity generation. The study also examined the new Mandatory Renewable Energy Targets (MRET) and the likely impacts of meeting those targets on the system. The key finding of the study was that the Victorian electricity transmission network is well positioned and able to cater for the additional demands of wind power. **Strategic Fault Level Review:** Long-term planning of the network ensures that fault levels are managed appropriately in terms of electricity supply and safety. The Strategic Fault Level Review provides a strategy to managing challenges with a 'big picture' view rather than managing issues as they arise. This approach means that faults are managed in a proactive manner, increasing reliability of the system. **Sites and Easements Review**: The Sites and Easements review includes a detailed audit of all existing electricity and gas easements to identify the potential additional capacity they can accommodate, as well as any measures required to protect future access.
In 2007-08 gas Full Retail Contestability (FRC) fees will be reduced by 14 per cent and wholesale gas fees by 2 per cent. Electricity transmission use of system fees have been set with a view to return the previous year's surplus to industry.	Maintained a strong focus on delivering budget and cost control measures which optimise service for fees and continue to manage costs in key areas.	In 2007-08 Victorian gas FRC fees were reduced by 14 per cent and wholesale gas fees by 2 per cent while electricity transmission use of system fees were recovered as part of 'Transmission Use of System' arrangements.

Planned outcome to be achieved in 2007-08	Description of actual outcome achieved in 2007-08	Quantitative or qualitative data to demonstrate outcome
Continue to build capability by addressing skill gaps, expanding e-learning options and creating a Corporate Library.	Continued to build capability by addressing skill gaps, and expanding e-learning options.	Individual development plans address training needs and develop action plans to address gaps. VENCorp's Leadership Development Program was developed and launched in early 2008. The program combines workshops and individual coaching sessions to reinforce learnings. E-learning continues to expand with the roll-out of a number of on-line learning modules for Electricity and Gas Graduates and an on-line Occupational Health and Safety Induction Program.

1.9 Department of Sustainability and Environment

Water

Progress on implementation of the state water plan – the next stage of the *Our Water, Our Future* strategy, is reported on pages 37-43 of the Department's 2007-08 Annual Report. Progress thus far includes:

- creating water – Planning and preparing for the Desalination plant began in 2007. Land was acquired, Environmental Effects Statements (EES) studies began and an information office was established in September 2007 to provide information and engage with the local community, businesses and stakeholders;
- sharing water – The Victoria Water Grid projects continued to link water systems across the state. Works included commencement of the Sugarloaf pipeline, environmental approvals for reconnection of Tarago Reservoir to the Melbourne water supply and determining the preferred routes for the Geelong- Melbourne and the Hamilton-Grampians pipelines; and
- saving water – The Minister for Water announced in February 2008 the state had already reached its 2010 target of recycling 20% of the state's wastewater. Work continued to install automated gates in major irrigation channels around the state, construction of the Gippsland Water Factory commenced, Western Waters new Melton Class A Recycled Water Plant was completed and alpine water recycling plants at Mt Hotham and Mt Buller received Class A certification. The Water Smart Gardens and Homes Rebates scheme continued its success, providing almost 35,000 rebates, the Showerheads Exchange program has now exchanged a total of 211,952 showerheads since the program commenced in 2006 and more than 650 schools have joined the Schools Water Efficiency program.

Environment and Climate Change

- The *Land and Biodiversity at a time of Climate Change Green Paper* was released for public comment in April 2008. Since then, more than 640 participants have attended community workshops in Melbourne and major regional centres (see page 70 of the Department's 2007-08 Annual Report);
- following an extensive environmental assessment process spanning 5 years, the Channel Deepening Project commenced in early 2008 and to date 17% of the total project volume (22.92 million cubic metres) has been dredged. In late 2007, the Office of the Environmental Monitor was established to independently monitor and assess the environmental performance of the project (see page 73 of the Department's 2007-08 Annual Report);

- during the 2007-08 fire season, 690 bushfires occurred in Victoria (representing a 7% increase in the number of fires compared to the 30 year average). In all fire operations, the Department is supported by its Networked Emergency Organisation partners (NEO – DSE, Parks Victoria, CFA, Melbourne Water, VicForests, DPI and DPCD). NEO achieved a planned burning program of more than 156,000 hectares – the best result for more than a decade (see pages 54-55 of the Department's 2007-08 Annual Report);
- the Department continued its EcoMarkets program, including EcoTender, BushBroker and BushTender. The first EcoTender demonstration was conducted in late 2007, to date the BushBroker program has resulted in 39 trades valued at more than $3 million and BushTender has resulted in agreements with 86 landholders, committing $3.2 million for on-ground works and land use changes. (see pages 76-77 of the Department's 2007-08 Annual Report); and
- the Department continued its work in raising awareness of climate change issues. The Black Balloons advertising campaign continued to raise awareness, a rebate scheme was established to encourage the installation of solar hot water systems and as an example to the community, government offset its annual greenhouse gas emissions from its cars. In support of the *Towards Zero Waste* strategy – with partners Metropolitan Waste Management Group, Sustainability Victoria, Environment Protection Authority and DPCD, 79 submissions were received in response to its Draft Metropolitan Waste and Resource Recovery Strategic Plan. (see pages 78-82 of the Department's 2007-08 Annual Report).
- due to the continuing drought conditions around Victoria, the demand for surface drainage systems was reduced. As stated on page 185 of the department's 2007-08 Annual Report, surface drainage demand is reliant on rainfall. With the reduced rainfall in 2007-08, actual additional area protected from salinity by surface drainage was lower than expected.

1.10 Department of Transport

Planned outcome to be achieved in 2007-08	**Description of actual outcome achieved in 2007-08**	**Quantitative or qualitative data to demonstrate outcome**	**Other agencies involved**	**Relationship to major government strategy**
1. Increased public transport services • Target of 423 million passengers carried on metropolitan trains, trams and buses • Target of 21.3 million passengers carried on V/Line train and country bus services	Total metropolitan public transport patronage has exceeded 450 million in the 2007-08 financial year, representing an annual growth of 7.7% 25.1 million passengers carried on V/Line train and country bus services	Metropolitan train patronage grew by 12.7% to reach 201.2 million in 2007-08. Metropolitan train patronage has grown by more than 70% from 1998-99 to 2007-08 Trams patronage increased by 2.2% to 158.3 million while bus patronage increased by 7.4% to reach 91.3 million boarding's in 2007-08	Connex Yarra Trams Bus Association Victoria Metlink	*Meeting Our Transport Challenges (MOTC)*
• Procure new trains and carriages for metropolitan and rural passenger rail services in order to address capacity constraints on the metropolitan network	The number of new trains on order has been increased from 10 to 18 In addition the number of V/Locity carriages under order for rural services has been increased to 50			*MOTC*
• Introduce new train timetables to address significant increase in patronage	Created more than 200 new services across the network each week, including 6 new morning and 3 new afternoon services	New timetables are available on the Metlink internet site and a link from the department's web site	Connex	*MOTC*
2. Delivery of *Meeting Our Transport Challenges (MOTC)*	Outer Metropolitan and Rural Arterial Road Program projects which have been completed	Midland Highway Duplication and Improvements; Princes Highway (Portland to Heywood); Mickleham Rd duplication (Somerton Rd to Barrymore Rd); Kellets Road duplication (Taylors Rd to Napoleon Rd)	VicRoads	*MOTC*
	East West Link Needs Assessment	The Report from Sir Rod Eddington was finalised and a public consultation program was commenced		*MOTC*
	Premium station upgrades	Darling, Watsonia, Mentone and Upfield stations were upgraded and design work		*MOTC*

Planned outcome to be achieved in 2007-08	Description of actual outcome achieved in 2007-08	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
		was completed for Burnley and Bell stations		
	Provide new/additional bus services	Route 401 North Melbourne to University of Melbourne commenced operation, providing significant congestion relief on the City Loop during peak times Route 901 Frankston to Ringwood Yellow Orbital SmartBus commenced services to link people in the outer east and south east with train stations, shopping centres, schools and other major destinations		*MOTC*
	Progress SmartBus Green Orbital - Nunawading to Airport West Progress SmartBus Red Orbital - Box Hill to Altona	Bus priority treatments and bus stop upgrade works progressed well and consultations with local government continued during the year	VicRoads Local government	*MOTC*
	Continue metropolitan bus service upgrades	51 initiatives were introduced on 59 metropolitan bus routes including extended operating hours to 9pm 7 days per week and the introduction of new bus routes, increased frequencies and route extensions/ improvements New 10-year contracts were signed with 29 individual metropolitan bus operators to provide better services, increased flexibility and more accountability	Bus Association Victoria	*MOTC*
	Regional bus routes	20 regional bus improvement projects were completed, providing an extra 1,800 bus trips per week		*MOTC*
	Progress works to upgrade the Monash-Westgate Freeway	Bridge works have commenced in the vicinity of City Road; work is well progressed on the Warrigal Rd to	VicRoads	*MOTC*

Planned outcome to be achieved in 2007-08	**Description of actual outcome achieved in 2007-08**	**Quantitative or qualitative data to demonstrate outcome**	**Other agencies involved**	**Relationship to major government strategy**
		Jacksons Rd section; and earthworks commenced between Stud Road and Eastlink		
3. Eastlink to be completed by Dec 2008	Eastlink, Australia's largest urban road project was opened five months ahead of schedule	Eastlink opened to public	South East Integrated Transport Authority (SEITA)	*Building One Victoria*
4. Channel Deepening to be commenced	In February 2008, the Port of Melbourne began deepening Melbourne's shipping channels to allow larger ships to access the Port.	At 30 June the project was 23% complete, ahead of schedule, and within all environmental limits	Port of Melbourne Corporation	*Victoria, Leading the Way*
5. Achieve road safety targets	Substantially achieved target reduction in road fatalities for A*rrive Alive!* and launched the new road safety strategy *Arrive Alive 2*	The road toll for the calendar year 2007 was 332, 2 fatalities above the 20% reduction target (330 fatalities) in A*rrive Alive!* *Arrive Alive 2* aims to reduce the road toll by 30% over the next 10 years	VicRoads Victoria Police	*Growing Victoria Together* *Arrive Alive*

VicRoads

Planned outcome to be achieved in 2007-08	**Description of actual outcome achieved in 2007-08**	**Quantitative or qualitative data to demonstrate outcome**	**Other agencies involved**	**Relationship to major government strategy**
1. Ongoing reduction in the Victorian road toll.	Victoria's road toll for 2007 was 332, the second lowest since comprehensive records were first kept.	Fatalities in Victoria have reduced by 25% from 444 in 2001.	Victoria Police, TAC, Dep't of Justice	Aligns with expectations in arrive alive! Strategy and MOTC
2. Reduction in motorcycle crashes	14 projects completed in 2007/08 under the Motorcycle Blackspot Program	An evaluation of the first 85 sites treated since the Program commenced in 2003 has identified an estimated reduction of 24% in motorcycle crashes at these sites.	Motorcycle Riders Association	Aligns with expectations in arrive alive!
3. Improving the reliability and flow of road-based public transport	Improvement to tram travel times, reliability and safety along the busiest parts of Melbourne's tram network through the Think Tram Program.	Four year program was completed in 2007/08 with the benefits including a 5% improvement in tram travel times on treated routes, 18% improvement in on-time performance on treated sections and no recorded accidents at tram stops where platform stops were converted.	Yarra Trams, Department of Transport and local councils	MOTC, Metropolitan Transport Plan and Keeping Melbourne Moving.
4.Improving freight efficiency	Completion of 7 road improvement projects during 2007/008 is expected to impact on the safe & efficient movement of freight and, as a result, Victoria's economic growth.	Delivery of: Plummer St Bypass Port Melb, Boundary Rd duplication, Laverton North, Grieve Pde duplication Altona North, Princes Hwy West road widening Corio, Boundary Rd road improvements Derrimut, truck facilities improvements at Mt Dandenong Rd Montrose and Princes Hwy East Stratford.		Melbourne 2030, MOTC, Melbourne Transport Plan, Moving Forward: Making Provincial Victoria the Best Place to Live, Work & Invest.

Southern Cross Station Authority

Planned outcome to be achieved in 2007-08	Description of actual outcome achieved in 2007-08	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
PPP Contract Management to ensure services are delivered to the required standards.	Effective monitoring to achieve increases in performance from the private sector operator to meet the required standards.	Improved service delivery; and Favourable performance audit by VAGO confirmed steps taken by SCSA to seek performance improvements.		

VicTrack:

Planned outcome to be achieved in 2007-08	Description of actual outcome achieved in 2007-08	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1. Upgrading safety protection at 45 level and pedestrian crossings	45 level and pedestrian crossings upgraded	No. of crossings upgraded	Department of Transport and V/Line	MOTC
2.Upgrading of disability access at 10 pedestrian crossings	Disability access upgraded at 13 pedestrian crossings	No. of crossings upgraded.	Department of Transport and V/Line	MOTC
3. Active Advance Warning Signs (AAWS) installed at one level crossing	AAWS installed at 3 crossings	No. of upgraded crossings	Department of Transport and V/Line	MOTC
4. Completion of 10 municipal strategic plans for VicTrack landholdings	10 Municipal plans completed	No. of plans completed	Department of Transport	Melbourne 2030
5.N/A	N/A	N/A	N/A	N/A

Port Of Melbourne Corporation

PoMC has a detailed internal strategic planning and development process which involves extensive liaison with the community, key stakeholders, relevant Government departments and State Government Ministers. Large projects are extensively reviewed and include a benefit/cost analysis in relation to the broarder community. Projects such as the Channel Deepening Project went through extensive reviews by external parties and the Government to ensure this project would benefit Victoria and the community. In addition to this, the Treasurer authorises all projects over $5 million.

1.11 Department of Treasury and Finance

The major outcomes for 2007-08 of the department's annual report are outlined below:

Planned outcome to be achieved in 2007-08	**Description of actual outcome achieved in 2007-08**	**Quantitative or qualitative data to demonstrate outcome**	**Other agencies involved**	**Relationship to major government strategy**
1. Finalise an inquiry into the regulation of the food sector.	The final report was presented to the Treasurer on 10 September 2007.	Final report has been submitted.	Victorian Competition and Efficiency Commission.	Growing Victoria Together.
2. Progress towards the target 25% reduction in administrative burden imposed on business and not-for-profit organisations.	The Reducing the Regulatory Burden (RRB) initiative is making progress towards its three year target of $154 million in administrative burden reduction as part of the five year strategy. Initiatives with forecast net administrative burden reductions of about $162 million are currently underway.	The Treasurer's RRB Progress report of 2007-08 was released on 6 November 2008. It contains projections on net burden reductions from current review and implementation activities as well as some examples.	All departments.	Growing Victoria Together.
3. Delivering financial reports	DTF publishes Budget Papers and regular financial reports.	The department delivered the following reports: *2008-09 State Budget and Budget update, Annual Financial Report, Mid Year Financial Report and four Quarterly Financial Reports.*	All Government departments and agencies.	Linked to all strategies.
4. Implement Efficient Government initiatives.	Efficient Technology and Administrative Services	Completion of the Efficient Technology Services Business case.	All Government departments and agencies.	Growing Victoria Together.
5. Extend the investment management standard (from ICT) to all project types.	The investment management standard has been included in the whole-of-government Investment Lifecycle guidelines.	The Investment Lifecycle guidelines have been issued to all departments comprising of all guidance material on analysing and procuring capital infrastructure including new Investment Management Standards.	None.	Growing Victoria Together.

DTF's public finance bill discussion paper was released in October 2008. The delay in the publication of this discussion paper was largely due to the complexity of the issues being considered and the options being developed. DTF developed a high-quality product to ensure that public debate of the issues and options was directed to the most productive areas.

The review of the *Accident Compensation Act 1985* was due for completion in June 2008 but was presented to the Government in early 2008-09 to allow for the consideration of additional issues.

City West Water Limited

Planned outcome to be achieved in 2007-08	**Description of actual outcome achieved in 2007-08**	**Quantitative or qualitative data to demonstrate outcome**	**Other agencies involved**	**Relationship to major government strategy**
1. 33,800 showerhead exchange target	37,010 showerheads exchanged	Incl school showerhead exchange; water wise for life kiosk at shopping centres; partnership with sustainability Victoria and Aust Post etc Estimated water saving of 0.5 GL per annum	N/A	Our Water Our Future
2. Unaccounted-for-water target of 10.7%	Actual unaccounted-for-water of 8.4%	Reduced losses by 1.4 billion litres compared to the previous year	N/A	Our Water Our Future
3. Water management plans for non-residential customers using 10ML or more of potable water	Water management plans submitted for all 461 non-residential customers using 10ML or more of potable water	461 water management plans submitted to CWW with over 500 planned actions with the potential to save water at varying costs	N/A	Our Water Our Future
4. Central Region Sustainable Water Strategy target - per capita consumption water saving of 30% by 2015 from 1990's level	CWW customers have reduced their per capita usage by 43% from 1990's level at June 2008	Residential water sales were 8.5% less than budget for 2007-08	N/A	Our Water Our Future
5. Zero net greenhouse gas emissions from operations	We achieved our target of net zero greenhouse gas emissions in line with the commitments made under our Sustainability Covenant with EPA Victoria	Net greenhouse gas emission negative result – 10,364.29 tonnes CO2-e	N/A	N/A CWW's business target

All significant programs associated with water conservation were achieved.

Rural Finance Corporation

Rural Finance's activities do not revolve around 'program delivery and outcomes' and as such we are unable to respond to this question.

Rural Finance's predominant role is as a provider of finance to the Victorian agricultural sector and as such does not deliver specific 'program outcomes' on behalf of government.

Rural Finance also administers various programs on behalf of State and Federal government departments (e.g. Department of Primary Industries) however it is the responsibility of those department to establish the objectives and expected outcomes of the programs. Those departments are therefore better equipped to provide details regarding these matters. The program objectives and expected outcomes are generally established by those entities prior to our involvement and we act to implement and efficiently administer the programs as specified. Examples of these programs in the 2007/08 financial year are the:

- Bushfire Assistance program;
- Gippsland Flood program;
- Marine Parks and Sanctuaries program;
- Exceptional Circumstances Drought Relief program;
- On-Farm Productivity Improvement Grant program; and
- Western Port Commercial Netting Licence Surrender and Relocation program.

South East Water

South East Water's 2007-2010 Corporate Plan was based on the following three strategic directions:

- meeting our customers' water needs in a supply-constrained world;
- seeking efficiency while growing our business, knowledge and expertise; and
- delivering improved environmental and social outcomes as part of our Triple-Bottom-Line performance.

Consistent with the above strategic directions, examples of key achievements during 2007-08 are as outlined below:

Planned outcome to be achieved in 2007-08	Description of actual outcome achieved in 2007-08	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1. Seeking alternative water supplies	Connection of South East Water's second new residential development to recycling water at Sandhurst Estate.	Recycled water supply to Sandhurst Estate launched on 1 Dec 2007. 620 properties were connected as at 30 Jun 2008. These properties are expected to save 62 ML of potable water each year.	EPA Victoria DHS DSE Melbourne Water Topaq Plumbing Industry Commission	State Government's 20% recycling target by 2010. Metropolitan Reuse & Recycling Plan 2009-2013 which outlined South East Water's proportion of the potable substitution target of 10 GL by 2030.
2. Seeking alternative water supplies	Gaining approval for the Class A upgrade of the Boneo treatment plant and	Acceptance of Business Case by DTF. Engagement of	DTF EPA Victoria Mornington Peninsula	State Government's 20% recycling target by 2010. Metropolitan Reuse &

Planned outcome to be achieved in 2007-08	Description of actual outcome achieved in 2007-08	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
	the associated horticulture recycling scheme	Contractor to construct Recycled Water Treatment Plant. Submission of Regional Environment Improvement Plan (REIP) to EPA for consideration. Securing conditional recycled water agreements with customers.	Shire Council	Recycling Plan 2009-2013 which outlined South East Water's proportion of the potable substitution target of 10 GL by 2030.
3. Further develop the 'us'-Utility Services initiative with Siemens and Thiess to achieve business growth for South East Water	'us'-Utility Services Alliance entering its third year of operation and delivering the capital and operational program with efficiency savings and innovative delivery methods.	An audit by the Victorian Auditor-General concluded that South East Water had met its key objectives and achieved significant cost savings.	---	---
4. Embedding sustainability into our business practices	Development of a sustainability framework and supporting tools to embed sustainability into decision making within all areas of the business.	Tool trials conducted. Next step is to integrate with Project Planning Methodology,	---	---
5. Profit before tax of $40.6 million	Profit before tax of $58.7 million	Planned and actual outcomes were reported in South East Water's 2007-10 Corporate Plan and 2007-08 Annual Report respectively.	---	---

Please refer to South East Water's Annual Report 2007-08 for further examples of other achievements accomplished during the year.

Treasury Corporation of Victoria

Performance Summary

TCV has a number of objectives and Performance Indicators toward which the Corporation's resources are directed. These are both financial and non-financial in nature, and are actively managed through a Balanced Scorecard process.

The table below summarises TCV's performance for the reporting period.

Objective/Indicator	Outcome 2007-08
Delivery of the State's financing requirements	A key part of TCV's business model is to provide financing to Participating Authorities as required. TCV achieved this objective through the year, despite illiquid conditions in global financial markets.
Management of market risk within approved parameters	TCV manages market risk within a defined Value at Risk (VaR) parameter which is determined by the Board and approved by the Victorian Treasurer through the Corporate Plan. Over the 2007-08 financial year the Corporation managed its market risk within the approved limit.
Debt Program pricing	As one of Australia's significant AAA rated Semi-government borrowing authorities, TCV aims to maintain price relativity for its cornerstone Domestic Inscribed Stock debt program, with that of its peers. This target, as measured by spread to swap, was achieved through the financial year.
Maintenance of capital ratio	TCV's Prudential Supervision Policy requires that TCV maintains a minimum capital ratio of at least 8% and where practicable, greater than 10%. Through the financial year TCV complied with this requirement.
Financial performance targets	As highlighted in the Report of the Chairman and Managing Director, TCV recorded a loss for the financial year, for the first time in its history. As a result, TCV did not reach its 2007-08 financial performance targets.
Portfolio growth	TCV measures growth in its operations by observing changes in: • Participating Authorities - at 30 June 2008, the number of state and public authorities which have been accepted by TCV as Participating Authorities was 84 (2007: 81); • Client loans - at 30 June 2008, the number of state and public authorities with borrowings was 44 (2007: 40); • Lending Growth - at 30 June 2008 loans to Participating Authorities were $A11.8 billion, (2007: $A10.1 billion). • Client Deposits - at 30 June 2008, the number of state and public authorities which held deposits with TCV was 116 (2007: 105); and • Deposit volumes - at 30 June 2008, deposits sourced from Participating Authorities totalled $A7.0 billion (2007 $A3.6 billion).
Provision of financing advice to Partnership Victoria projects	An important advisory service offered by TCV is the provision of financing advice to projects procured by the State under Partnership Victoria guidelines. Over the 2007-08 year, TCV was involved in every project, achieving its objective.
Client satisfaction	Client satisfaction remains at high levels. This indicator is formally measured bi-annually through a client survey, due to be undertaken again in October 2008.
Employee capability	The combined knowledge of TCV's employees represents a considerable corporate investment. TCV measures its ability to maintain that investment through training and succession planning. TCV successfully maintained its human resource capabilities throughout the year.
Employee engagement	TCV measures employee engagement, as an indicator of a healthy organisational culture, through data gathered in an annual staff survey. The 2007-08 survey showed continued improvement in this measure.

TCV is not a direct part of these strategies but indirectly participates by giving financing advice and provision of finance to the relevant government entities.

As detailed above the primary outcomes were achieved for the year.

TCV is a financial institution to the state and state entities providing finance, cash management and financing advice. Contact with the entities is on a wholesale financial markets basis and there is not contact with the general public. Organisational priorities and direction are managed by the independent Board of Directors in conjunction with the Treasurer and in accordance with the Treasury Corporation Victoria Act (1992).

Victorian Funds Management Corporation

The five main outcomes achieved for 2007-08:

- adoption of governance principles based on global best practice; in particular, the adoption of a delegation framework designed to empower management to make real time investment decisions; the signing of the *UN Principles of Responsible Investment*. These principles are designed broadly to encourage the integration and analysis of environmental, social and corporate governance characteristics in the context of risk for investee companies. (Clients include TAC, VWA, VMIA and ESSS);
- client portfolios have been fully transitioned to new strategic asset allocations reflecting their underlying liabilities (Clients include TAC, VWA, VMIA and ESSS);
- the in-house management blue print has been established with 20% of funds under management in-sourced by 30 June 2008 (Clients include TAC, VWA, VMIA and ESSS); and
- successfully installed SimCorp Dimension as the core Portfolio Management System to provide critical investment management and middle office functionality across multiple asset classes and security types (Clients include TAC, VWA, VMIA and ESSS).

Victorian Managed Insurance Authority

Planned Outcome	**Description of outcome achieved**	**Qualitative / Quantitative data**	**Other Agencies involved**	**Relationship to major govt strategy**
Clinical Trials Research Agreements	The VMIA in collaboration with interstate health departments and industry agencies developed a set of uniformly accepted standard Clinical Trial Research Agreements (CTRA).	Positive feedback from the research community and interstate agencies. Agreements presented to National Health & Medical Research Council.	DHS Multiple Victorian research entities and Interstate Agencies.	None
Risk Management Guidelines	Web based risk management guidelines, tools and enablers for government agencies.	Several hundred hits on the website, with positive comments from reviewers.	Agency involvement included SSA, DTF, DPC, DEECD, DHS, DIIRD, DoJ, DoT, DPI, TAC, VWA, VicRoads, Vic Police.	None
RFQR	Assessment and benchmarking of 69 risk management frameworks across VPS and 'Public Non Financial Corp' (PNFCs).	Sector benchmark data and performance against AS/NZ 4360 standard.	Government Depts, Statutory Authorities, Public Hospitals, Community Service Organisations and PNFCs.	None
Training Program & Attestation Support	Delivery of risk management and insurance through our training essentials series.	During 2008 the VMIA ran 110 training programs for in excess of 2000 client participants.	Service providers and all client agencies attending courses.	None
Insurance Program	Comprehensive insurance program across all classes of general insurance excluding terrorism for departments and agencies.		All government sector agencies including S25A approved entities.	None
Business Continuity Management (BCM)	Co-funding for development of BCM for State Library and Vic Forests and Dairy Foods Victoria. These three projects led to the development of BCM guidelines and training.	Positive feedback from clients on success of the project. 82 participants over VMIA's three BCM forums held in 2008 with 86% satisfaction reported.	State Library of Victoria Vic Forests Dairy Foods Victoria	None

Victorian WorkCover Authority

Planned outcome to be achieved in 2007-08	Description of actual outcome achieved in 2007-08	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
1. Improved workplace health and safety measured by a reduction in claims per 1000 workers reduced to 10.6.	Claims per 1000 workers reduced to 11.1.	Lowest injury rate in Australia; lowest number of fatalities in a single year on record; and significantly lower than the previous year.	Victoria Police & emergency services Other state OHS organisations (via eg HaSPA, Senior OHS Roundtable).	10 year National OHS strategy 2002 (Australian Safety and Compensation Council formally NOHSC).
2. Improved sustainable return to work measured by 76.9% of injured workers at work 14-19 months post injury reported.	78.3% of injured workers at work 14-19 months post injury reported.	2.5% increase on 2006/07 level of 75.8%.	Transport Accident Commission (via Health Services Group joint RTW focus).	
3. Client satisfaction increased to 83.9%.	Client satisfaction at 84.3%.	Highest level of employer and injured worker satisfaction on record.	Transport Accident Commission (via Community Integration Program).	
4. Long term scheme viability ensured with $200m actuarial release.	$511m actuarial release.	Improved scheme management.	VFMC.	Prudential Supervision and Performance Measurement Framework.
5. Breakeven premium rate of 1.34%.	Breakeven premium rate of 1.27%.	Average premiums reduced by 5%.	VFMC.	Government commitment to provide a fairer simpler and affordable premium.

Yarra Valley Water Limited

Planned outcome to be achieved in 2007-08	Description of actual outcome achieved in 2007-08	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
Customer				
Northern Sewerage Project (NSP) - Commence Stages 1 and 2 of the NSP. The NSP is an essential investment in infrastructure that is critical to servicing customers in Melbourne's growing northern suburbs and protecting the health of our waterways.	Yarra Valley Water commenced its section of the two-stage project in September 2007. This involves the construction of a 4.5 kilometre long deep-tunnelled sewer.		Melbourne Water	Melbourne 2030 (2002)

Planned outcome to be achieved in 2007-08	Description of actual outcome achieved in 2007-08	Quantitative or qualitative data to demonstrate outcome	Other agencies involved	Relationship to major government strategy
Environment				
Water Conservation – Showerhead exchange program to reduce water consumption of Yarra Valley Water's customers.	Our free showerhead exchange program saw customers exchange 46,607 old showerheads for new, water-efficient ones, and a major milestone was met with Yarra Valley Water's exchange of more than 80,000 showerheads since the programs inception last year.	In 22007/08: 46,607 showerheads exchanged. Residential water consumption fell from fell from 189 to 164 litres per person per day.		*Our Water, Our Future* (2004)
Brushy Creek Sewerage Treatment Plant (STP) – Upgrade to Brushy Creek STP to provide Class A recycled water available to customers.	Commenced production of Class A recycled water and provided this to councils at no charge for watering sports grounds and public facilities over the 2007/08 summer.	Yarra Valley Water delivered the project in just 4 months, compared to the 18 months that it would normally take to complete a project of this size and complexity.		
Efficiency				
The Victorian Competition and Efficiency Commission (VCEC) Review – participate in the VCEC review of the Melbourne retail water industry.	Yarra Valley Water recognised by VCEC as having decreasing operating costs for the period 1995/96 to 2006/07 and that we are the lowest cost water retailer in Melbourne.	Independent financial analysis of Melbourne's water retailers.		
Culture				
Organisational Change – Implementation of a new structure.	Yarra Valley Water implemented its new structure, enhancing business operations and creating additional opportunities for promotion and development of staff within the organisation.	Opportunities were created for promotion and development within the organisation. A new General Manager position and several new divisional manager positions were created, all of which were filled by internal candidates.		

APPENDIX 2: Departmental Critical future priorities

2.1 Introduction

The Committee gave departments the opportunity to outline the approaches that have been undertaken during 2007-08 to address the following critical future priorities for the Victorian public sector as identified by the State Services Authority.

1. engaging across jurisdictions and portfolio structures where effective responses to the increasingly complex needs of individuals, families and communities require the attention of multiple agencies;
2. preparing to meet workforce planning challenges (including developing leadership skills and capabilities);
3. building and strengthening citizens' trust in public institutions, so that those institutions have the operating legitimacy they require to make their activities credible and effective;
4. developing more responsive public services in a way that balance the advantages of economies of scale with greater personalisation and choice to citizens;
5. supporting the development of citizens' individual responsibility to achieve better outcomes, through providing a range of incentives;
6. developing systems and skills to work effectively with the private and non-profit sectors; and
7. fostering agility to support a high-performing public sector so that it can respond effectively in an environment characterised by change and uncertainty.

A summary and evaluation of the responses is contained within Chapter 11 of this report. This appendix is simply a record of the responses received from departments.

2.2 Department of Education and Early Childhood Development

Engaging across jurisdictions and portfolio structures where effective responses to the increasingly complex needs of individuals, families and communities require the attention of multiple agencies

Children's Services Coordination Board has been established to:

- review annually and report to the Minister for Children and Early Childhood Development and the Minister for Community Services on the outcomes of the Government's actions in relation to children, particularly the most vulnerable children in the community; and
- monitor administrative arrangements to support co-ordination of the Government's actions relating to children at local and regional levels.

Secretaries' Committee for Education & Training has been established to:

- identify how the role of the Departments of Education and Early Childhood Development; Innovation, Industry and Regional Development; and Planning and Community Development fit into the Government's overarching education and training policy framework; and.
- consider policy issues where they overlap between the responsibilities of each Department.

Joint Departments of Education and Early Childhood Development & Human Services Executive Meeting has been established to:

- consider the joint activities of the Departments;
- liaise on cross-departmental responsibilities; and
- facilitate cooperation and resolve issues, particularly in relation to the health, development and wellbeing of Victorian's children and young people.

Preparing to meet workforce planning challenges (including developing leadership skills and capabilities)

The Department continued to implement the reform strategies outlined in the 2003 Blueprint for Government Schools. The Blueprint provides a framework for a highly effective government school system including a focus on building the skills of the education workforce to enhance the teaching and learning relationship and the capacity of school leaders.

Significant progress was made in the implementation of 2003 Blueprint initiatives in 2007–08, including implementation of a suite of 19 leadership professional learning programs provided for government schools to meet the development needs of principals and teachers at different career stages and in different contexts.

The overall goal of the Early Childhood workforce initiatives is to increase the quality of early childhood programs by increasing the supply of qualified staff and to improve the skills and qualifications of early childhood education and care workers.

Two schemes – the *Early Childhood Teaching Scholarship Scheme* and the Incentives for *Early Childhood Teachers in Long Day-Care Scheme* – were introduced to encourage diploma-qualified staff to undertake a degree in early childhood education and to encourage recent early childhood teaching graduates to take up employment in long day-care settings.

Developing more responsive public services in a way that balance the advantages of economies of scale with greater personalisation and choice to citizens

The Blueprint for Education and Early Childhood Development was released on 2 September 2008. It sets out actions in twenty areas to improve the education, development and wellbeing of all Victorian children and young people over the next five years and builds on the substantial progress and achievements made by Victoria to date. The Blueprint aims to improve the quality of outcomes for children and young people and has been developed in the context of the Government's goal to build a cohesive system to foster children's development and support families in their parenting. Such a system will also ensure smooth transitions through each phase of early development and school education.

The consultation process for the development of the Blueprint began in April 2008 and included:

- release of discussion papers as the basis for consultation with parents, early years staff and the wider early years community;
- establishment of a dedicated Blueprint website which generated over 40,000 page hits;
- a summit with 283 attendees, public forums in Traralgon, Geelong, Dingley and Moonee Ponds (almost 700 attendees), and stakeholder roundtable discussions attended by over 100 representatives of unions, experts and academics, business and other key stakeholder groups; and
- Extensive feedback provided by local and international experts.

The final Blueprint incorporates a strong reform agenda built around system improvement, workforce reform and partnerships with parents and communities.

- Developing systems and skills to work effectively with the private and non-profit sectors.

The Victorian Schools Plan is the Government's ten year plan to transform State education by funding the rebuilding, renovation or extension of every Victorian government school. In December 2007 the Premier announced that Victoria would seek to deliver a number of new schools in growth areas of Melbourne through a Public-Private Partnership (PPP). A PPP will deliver new schools with the best possible learning environments for students, promote community use of school facilities and free up teachers' time to focus on teaching. The use of a PPP to build new schools will complement existing procurement methods, not replace them.

Fostering agility to support a high-performing public sector so that it can respond effectively in an environment characterised by change and uncertainty

The Department continued to build the skills of the education workforce to enhance the teaching–learning relationship by delivering a suite of leadership professional learning programs for government schools. Programs are targeted to meet the development needs of principals and teachers at different stages of their careers and in different contexts.

2.3 Department of Human Services

Critical future priorities for the Victorian public sector	**Action taken by your organisation in 2007-08**
1.Engaging across jurisdictions and portfolio structures where effective responses to the increasingly complex needs of individuals, families and communities require the attention of multiple agencies	*Health & Aged Care* The Victorian and Australian Governments are working together to improve access to community care services for older Victorians, younger people with disabilities, their carers, through Access Points Demonstration Projects. In Victoria the Access Points Demonstration Project is known under the service name of Direct2Care. Two demonstration projects are planned for Victoria, with one operational in Eastern Metro Region and a second to commence operations in Grampians Region later in 2008. Elder Abuse Prevention - The Victorian Government elder abuse policy requires a multi department and multi sector response. The Aged Care Branch works cooperatively with other government departments to ensure the planning and implementation of a range of initiatives to address elder abuse are common and consistent. One such initiative was to review the 1995 DHS guide. The rewritten With *Respect to Age 2008* are practice guidelines for health services and community agencies dealing with elder abuse. The process required alignment with multiple government departments and other key stakeholders, as well immersing the subject in a contemporary national and international context. The guide will be supported by information sessions early in 2009, targeting multiple health and community sectors and service types (including Commonwealth Government programs and private providers). The sessions will provide direction to funded providers, strengthening their confidence and capacity to respond in a common manner to suspicion of, or incidents of, elder abuse. Interagency cooperation at the local level is a strong element of the response model. 'Go for your life' whole of government coordination delivered by Portfolio Services and Strategic Projects. Complex governance structure engages widely across government and NGO-sector, as well as academics. A cross divisional working group with representatives from Housing and Community Building and Mental Health and Drugs divisions has been establish to develop joint programs and responses that lead to improved outcomes for consumers with mental illness who are homeless or at risk of homelessness. The Multiple and Complex Needs Initiative (MACNI) is an intensive, integrated service response targeting the most serious cases of individuals over 16 years with multiple and complex needs. It provides a holistic assessment and care plan, and coordinated service response.

Critical future priorities for the Victorian public sector	**Action taken by your organisation in 2007-08**
	Community Services Active involvement in the National Child Protection Framework which will address the complex issues that cut across jurisdictions and improve coordination and connection across various part of the current system. The Development of "Improving Outcomes For Young Adult Offenders - A Framework For The Rehabilitation And Reintegration Of Young Adult Offenders 2008-2012" provides DHS and DOJ with a consistent management framework for offenders aged 18-21. In meeting the needs of the extremely complex children, youth and families, the following initiatives were adopted or maintained during the year: • the Partnering Agreement between DHS and DEECD for School Attendance and Engagement of Children and Young People in Out of Home Care; • arrangements negotiated with General Practice Victoria for undertaking Initial Health Assessments for children coming into out of home care; • roll-out of consortia based Child FIRST integrated family services to provide family services to support vulnerable children in families with complex needs; • cross-program and inter-departmental cooperation to designate children in out of home care as a priority target group within the Victorian Immunisation Strategy 2009-2012 and also give them priority access for DEECD funded Early Childhood Intervention Services, and Public Health funded Dental Services; • prioritisation of access for child protection and family services clients to community health services implementing part of the "Towards a Demand Management Framework for Community Health Services"; • families and Parents with a Mental Illness (FaPMI) initiative between Mental Health Services and Child Protection and Family Services programs whereby adult mental health worker coordinators are now located with Child FIRST family services in all 8 DHS regions; and • joint CPP&FS and Office of Housing Leaving Care Housing and Support initiative integrating accommodation and post care support for young people 16-21 exiting OOHC. *Disability Services* The Disability Services program contributes to a range of inter-departmental and intra-departmental committees, including the Multiple and Complex Needs Initiative. In addition, in 2007-08 the Division contributed to a whole-of-government review of Disability Services. The review examined services provided to people with a disability in the Disability Services Division (DHS), Early Childhood Development, and the Education system (DEECD), access to the broader community (DPCD) and the Justice system (DOJ). *Housing* A Neighbourhood Renewal (NR) mainstreaming strategy was developed to ensure that the benefits of the initiative endure beyond the term of the program, by embedding the elements of NR, into the core business of state and local governments. By June 2008, mainstreaming plans were in place in local councils in 15 NR areas. This initiative involves engaging across jurisdictions and portfolios to response to place-based disadvantage.
2.Preparing to meet workforce planning challenges (including developing leadership skills and capabilities)	The DHS People Strategy was launched in July 2007 and provides a framework for change that aims to transform leadership and people management across the department. The People Strategy is renewing the department's commitment to valuing and respecting its people, building their skills and capabilities and integrating people management and leadership and will enable the department to attract the best people to the organisation, to develop, support and retain them. It will help position the department as an employer of choice to meet future workforce supply and demand, as well as provide a more integrated approach to leadership and people management.

Critical future priorities for the Victorian public sector	**Action taken by your organisation in 2007-08**
	The goals of the strategy are: • a sustainable workforce; • high-performing, well managed people; and • an efficient and effective workplace. *Health & Aged Care* The department has contributed to the establishment of the John Richards Initiative at La Trobe University. A Professor has been appointed to lead research through the initiative, with a particular focus on workforce issues in rural aged care services. This complements considerable collaborative investigative and development work already being carried out. Workforce Development Project: BBV/sexual health underway. Mapping commenced of current workforce development activities available to the BBV and sexual health workforce, including volunteers and the generalist workforce eg housing, mental health and aged care workers. Needs analysis being conducted to better inform future planning, priority setting and policy development for workforce development initiatives. *Community Services* In 2007-08, scoping work commenced on developing a Youth Justice Workforce strategy to undertake the following: • workforce analysis • forecasting / Gap analysis • planning / Strategy development • implementation • monitoring & evaluation This work will include the development of a Youth Justice specific capability framework. Child Protection services nationally and internationally are faced with the challenge of recruiting, developing and retaining skilled and experienced staff. Initiatives implemented in 2007-08 include: Attraction: • strengthened partnerships with universities and colleges; • growth in the student placement program; and • annual Child Protection Career Open Days. Recruitment: • successful implementation of an overseas recruitment campaign in the United Kingdom and Ireland (resulting in approximately 40 experienced social workers accepting offers of employment); and • continuation of the highly effective centralised recruitment of entry level child protection practitioners. Development: • the implementation of a public tender for a Graduate Certificate in Child and Family Practice and Graduate Diploma in Child and Family Practice Leadership. • development of a capability framework for all child protection staff to underpin all human resource and development activities. • a skills audit of front line child protection managers. • tailored professional development programs for front line managers. • design of a new 'learning journey' approach to professional training and development for all child protection staff. Capability framework: • development of a capability framework for all child protection staff to underpin all human resource and development activities. Leadership: • a skills audit of front line child protection managers; and

Critical future priorities for the Victorian public sector	**Action taken by your organisation in 2007-08**
	• tailored professional development programs for front line managers. Retention: • developed a cross regional and program approach to implementing strategic priorities for improved retention in child protection. • workforce data and monitoring: • developing improved workforce data collection and reporting processes to inform planning. CSIF funded the Community Services and Health Industry Training Board (CSHITB) to create a tool for competency based training and assessment. CSIF funded VCOSS to promote community sector careers particularly to students and mature aged workers. The Care to Make a Difference exhibition was staged in the City Square and is touring regionally. CSIF funding was added to create the Health and Community Services Careers website, expanding content to include community sector careers and broadening the target market from solely rural schools to metro schools and mature aged workers. CSIF funded work to develop for the Community Services sector a staff bank and Portable Long Service Leave scheme. The development of the Workforce planning and development strategy for the provision of support for people with a disability – 2008 – 2013 and beyond aims to ensure there is a skilled and qualified workforce into the future and position the workforce beyond 2013 with the intention of being able to support the personal outcomes and lifestyle aspirations of people with a disability. The strategy was developed in 2007-08, and released for public comment in August 2008. The plan is currently being finalised in preparation for release in early 2009. The Workforce Development and Learning Strategic Plan is currently being implemented across the department managed disability services area. This work has resulted in the number of staff who are either qualified or undertaking a Certificate IV in Disability Traineeship program increase from 52% in 2001 to almost 98% in 2008. In total, over 2000 disability services staff have undertaken training in the Quality Framework for Disability Services in Victoria from September 2007 - October 2008. Further learning and development will be provided through stage 3 of the learning and development strategy for the Quality Framework throughout 2009. *Housing* By strengthening the capacity of the workforce in the community housing, homelessness assistance and family violence services sectors, Housing & Community Building seeks to improve homeless support standards. Work has commenced on the development of a comprehensive workforce strategy.
3.Building and strengthening citizens' trust in public institutions, so that those institutions have the operating legitimacy they require to make their activities credible and effective	*Health & Aged Care* Publication of *Your Hospitals Report*. Your Hospitals website provides information on hospital processes, treatment times, patient experience, preventing illness and health workforce. *Community Services* The effectiveness and therefore also the credibility of services provided in relation to meeting the needs of vulnerable children and families are strengthened by an ongoing quality assurance and quality improvement approach which includes a commitment to consultation, and the utilisation of client feedback including formal complaints mechanisms to improve our services. This approach is enhanced by other initiatives including: • the appointment of the Principal Child Protection Practitioner to undertake practice reviews and provide practice leadership; • appointment to regional Quality of Care managers in each region to monitor and review practice outcomes for Child Protection clients; and • ongoing collaborative work with the Office of the Child Safety Commissioner to

Critical future priorities for the Victorian public sector	**Action taken by your organisation in 2007-08**
	improve outcomes for vulnerable children including implementing recommendations of findings from Child Death Inquiries. A regular cycle of internal and (soon to commence) external audits of compliance by community service organisations providing placement and family services with new registration standards established under the recently enacted *Children, Youth and Families Act.* The implementation of the *Disability Act* enshrined in legislation that people with a disability have the same rights as other members of the community. The Act has a number of safeguards to protect the rights and health and well being of people with a disability including: The establishment of the Disability Services Commissioner, an independent statutory position, appointed by the Governor-in-council, who has broad and flexible discretion to consider, investigate and conciliate complaints. Creation of the Senior Practitioner to ensure people's rights are protected in relation to restrictive interventions and compulsory treatment. *Housing* The department, through its Housing & Community Building division is committed to open and accountable delivery of services. Key policy information and program data is provided to the public regularly, including the public housing waiting list, and the Annual Summary of Housing Assistance Programs.
4.Developing more responsive public services in a way that balance the advantages of economies of scale with greater personalisation and choice to citizens	*Health & Aged Care* Refer to response by health services. Hospital Boards are informed by Community Advisory Committees, which contain members of the public. The Personal Alert Victoria service was re-tendered during 2007-08 for a new 5-7 year period. The re-tender provides the opportunity to achieve economies of scale and to optimise individual and service outcomes. The HACC Active Service Model initiative is a quality improvement strategy that aims to increase the person centred and responsiveness of HACC services. Two key milestones in its development in 2007-08 were the hosting of the National Promoting Independence Forum on behalf of all States and Territories in February 2008 and the release of the discussion paper on the development of the HACC Active Service Model in May 2005. *Community Services* Almost all the services provided by the Children Youth and Families division are delivered sub-regionally to optimise economies of scale, inter-agency linkages within local communities and accessibility. In particular the Child FIRST family services, when fully rolled out in Feb 2009, will utilise 24 sub-regional catchments based on aggregations of LGAs that also combine to cover each DHS region. These catchments coincide with the sub-regional areas covered by Child Protection teams in most regions. The delivery of out of home care services is closely aligned with Child Protection teams even though particular providers may work across more than area. Service options and choice are promoted by funding a diverse range of community service organisations with differing specialisations to deliver placement services and family services in each region. Since the development of the State Disability Plan 2002-2012 there has been a progressive reorientation of Disability Services to maximise choice and control of disability supports by people with a disability and their families and carers. In 2007-08 the Government committed $70 million over four years for additional individual support packages that will provide flexible support to enable people with a disability to live and participate in the community. The reorientation of disability services toward individual support packages is a deliberate reform to provide more responsive public services with greater personalisation and choice to citizens.

Critical future priorities for the Victorian public sector	**Action taken by your organisation in 2007-08**
	Housing Over the past year, the Victorian Government has been rolling out the Opening Doors initiative. This involves homelessness services banding together, pooling their resources and establishing clear homelessness access points out of existing services. These access points are linked to allied services such as mental health, drug and alcohol, youth and family violence services, as well as long-term community housing providers and public housing, offering access to the range of services a person experiencing homelessness might require, thereby increasing client choice.
5.Supporting the development of citizens' individual responsibility to achieve better outcomes, through providing a range of incentives	*Health & Aged Care* The establishment of the 'Life! Taking Action on Diabetes' community-based lifestyle behaviour change programs for 25,000 eligible Victorians to reduce their risk of developing type 2 diabetes. Refer to health services PAEC questionnaire responses. *Community Services* Most of the work undertaken across the Children Youth and Families division is based on ensuring that parents, families and communities are able to fulfil their responsibilities for the good care of children and young people. This includes the development of the Child FIRST family services to work with families to minimise the need for Child Protection involvement. When Child Protection intervention is required, the way of working is to engage the child's family in all the decision-making processes. This practice approach has been promoted in 2007-08 through development of best practice approaches such as Family Group Conferencing, Family Decision-Making. Where the decision is made to place children away from their parents, the first placement option considered is kinship care. In 2007-08, the number of children placed in kinship care exceeded those placed in unrelated foster care or residential care. Child protection, placement and family services practitioners are required to ensure that the children they work with have a say and are listened to about the things that affect them. This is being done via practice standards and the implementation of the Charter of rights for children in out of home care. Meaningful participation in decision-making processes during childhood develops individual responsibility. Since the development of the State Disability Plan 2002-2012 there has been a progressive reorientation of Disability Services to maximise choice and control of disability supports by people with a disability and their families and carers. In 2007-08 the Government committed $70 million over four years for additional individual support packages that will provide flexible support to enable people with a disability to live and participate in the community. The reorientation of disability services toward individual support packages is a deliberate reform to support the development of citizens' individual responsibility to achieve better outcomes. *Housing* In May 2008, 26-week fixed rents for tenants were implemented. This means that if a tenant's income increases it will not affect their rent immediately, while provisions for tenants whose incomes decrease will be available. This provides an extra incentive to seek employment, by giving people up to 26 weeks reprieve before rents increase once a person has secured a job.
6. Developing systems and skills to work effectively with the private and non-profit sectors	*Health & Aged Care* Refer to elective surgery contract service provision above. The Department of Human Services, community service organisations and proprietors of participating private-for-profit Supported Residential Services are working together to implement the Supporting Accommodation for Vulnerable Victorians Initiative (SAVVI).

Critical future priorities for the Victorian public sector	**Action taken by your organisation in 2007-08**
	This initiative provides financial assistance and support to improve the operating viability of the pension-level SRS sector in order to slow its decline and ensure a continuing supply of 2,000 supported accommodation beds for vulnerable people. *Community Services* The Youth Justice Service Delivery Model (YJSDM) has been developed to provide an integrated approach to the provision of intensive support and services to Youth Justice clients to complement the statutory case management undertaken by Youth Justice units. The model has been developed recognising that Youth Justice clients present with a range of complex and varied needs that require an individualised service response. Through new funding and partnership arrangements between Community Service Organisations, the YJSDM will provide a broad range of services to better meet the needs and deliver outcomes for Youth Justice clients at a regional and local level. The model commenced metropolitan operations in October 2008 and will be fully operational across Victoria from 1 January 2009. Services provided in relation to child protection, out of home care and family services involve working in partnership with the non-profit. Out of home care and family services are delivered by CSOs funded by DHS which involves the management of funding agreements and accountability requirements. Most DHS positions require high level skills for working with the sector as a condition of employment. These skills are reinforced and further developed via supervision, professional development and ongoing attention to the development of an effective organisational culture that expects collaboration with the sector. Formal structures for supporting our partnerships with the sector include: Child Protection, Placement and Family Services Strategy Group – a statewide group with membership from peak bodies, CSO representatives, DHS regions and central program, linked to Victorian Children's Council and with representation on sub-committee -Implementation and Monitoring of CYFA 2005. Regional partnership structures convened by DHS with cross- agency representation. Statewide and regional Reference Groups which support virtually all significant projects, and many areas undergoing policy and program development. A key component in the introduction of the *Disability Act 2006* is the determination of standards for disability services and performance measures in relation to compliance with the standards. The Quality Framework for Disability Services in Victoria was implemented from 1 July 2007. The framework provides and overall measure of individual outcomes for people who are accessing disability services. As part of the Quality Framework for Disability Services in Victoria, new standards for Disability Services have been developed that shift the focus on support provider accountability from process to outcomes. The publication titled *Understanding the Quality Framework for Disability Services in Victoria (2007)* – a resource guide for disability service providers has been developed to assist service providers to understand the concepts and approaches central to the Quality Framework. The Workforce planning and development strategy also takes account of activity in other spheres of government and the community services sector. This includes the *Victorian Government's Action Plan on Strengthening Community Organisations*, the Federal Government's social inclusion agenda, the *Community Services and Health Industry Skills Council's Community Services Training Package Review* and work pursued through the Commonwealth/State/Territory Disability Agreement (CSTDA). *Housing* Housing & Community Building has developed a system to build an effective partnership with the not-for-profit housing sector to secure the viability of the social housing sector. In 2007-08, the Housing Registrar conducted registration rounds of not-for-profit housing organisations seeking to manage properties beyond December 2008. By 30 June, 2008, eight housing associations and four housing providers were registered.

Critical future priorities for the Victorian public sector	**Action taken by your organisation in 2007-08**
7. Fostering agility to support a high-performing public sector so that it can respond effectively in an environment characterised by change and uncertainty	*Health & Aged Care* DHS has a strategic approach to supporting safety and quality in public sector residential services. This approach is articulated through the Aged Care Branch Beyond Compliance Strategy. *Community Services* The promotion of high performance within a constantly changing environment is how the Children Youth and Families (CYF) division expects to function on an ongoing basis and this is built into a range of learning and development strategies for staff. The CYF division provides additional service specific support for regional staff and community sector organisations. As part of building workforce capacity the department also implements a range of professional development programs for disability services staff to respond effectively in a changing environment. These included in the 2007-08 financial year 1,036 training episodes for staff, of this figure, approximately: • 50% was core training (Induction, First Aid/CPR, Fire and emergency management, OH&S, manual handling); • 18% was general training (Disability Act, working with justice clients, person centred planning, Quality Framework training); • 14% related to training staff in client health related issues (asthma, diabetes, epilepsy etc); • 10% was training related to supporting people with a disability who have 'behaviours of concern'; and • 7% was leadership and management training for staff with people management responsibility. The focus of this year's leadership program was around communication and performance management skills and included a recently developed induction program for newly appointed supervisors and managers and the implementation of an online Leadership Learning Needs Analysis based on the public sector leadership capability set. *Housing* The Housing & Community Building division of the department has developed a Regional Housing Workforce Strategy to target the training and development of housing office managers, housing service staff and new starters. In addition, a *People Management Strategy* has been developed to address learning and development needs and change management amongst head office senior managers.

2.4 Department of Innovation, Industry and Regional Development

Critical future priorities for the Victorian public sector	**Action taken by your organisation in 2007-08**
1.Engaging across jurisdictions and portfolio structures where effective responses to the increasingly complex needs of individuals, families and communities require the attention of multiple agencies	In November 2007, Citizen Access and Transformation (CA&T) was incorporated into DIIRD. CA&T works across government, focusing on transforming and simplifying citizens' experience when interacting with government agencies. Another example is the World Class Service whereby government at all levels collaborate to service the small business sector in providing appropriate regulatory advice and information.
2.Preparing to meet workforce planning challenges (including developing leadership skills and capabilities)	Developed the *People Strategy 2008/09 – 2011/12*, with a major goal to "attract and engage a quality workforce". Implementation of the Strategy will commence shortly. Developed a *Recruitment Guide for Managers* to assist them in effective recruitment and selection techniques. The Guide will be marketed via a major promotional and training program for all DIIRD managers in 2009. Developed the *2007-08 DIIRD Learning and Development calendar* in consultation with DIIRD senior managers. The Calendar comprises several development programs aimed at addressing gaps in workforce skills. Conducted the DIIRD Mentoring Program with a record number of participants (62 pairs of mentors & mentees). This Program is now one of the largest mentoring programs run by a state government department. Introduced the Accelerated Development Program for identified high-achieving and high-potential VPS5 and VPS6 staff to enhance leadership capability within the Department. Continued participation in external executive development programs (e.g. ANZSOG, Cranlana, Victorian Leadership Development Centre Executive Leadership Program).
3.Building and strengthening citizens' trust in public institutions, so that those institutions have the operating legitimacy they require to make their activities credible and effective	A Citizen Engagement Framework – *Crafting the Dialogue Between Government and Citizen in the 21st century* was drafted and is being refined as a guiding set of principles for any subsequent pilot of online citizen engagement. Revised the DIIRD Internet site to provide more comprehensive information relevant to the Department, strengthening citizens' trust, making DIIRD activities more credible and effective.
4.Developing more responsive public services in a way that balance the advantages of economies of scale with greater personalisation and choice to citizens	An example of this is the World Class Service whereby government at all levels collaborates to service the small business sector in providing appropriate regulatory advice and information.
5.Supporting the development of citizens' individual responsibility to achieve better outcomes, through providing a range of incentives	DIIRD promotes a range of incentives that help industry and small business, as per two examples, *Time to Thrive and Moving Forward.*
6. Developing systems and skills to work effectively with the private and non-profit sectors	Not Applilcable

Critical future priorities for the Victorian public sector	Action taken by your organisation in 2007-08
7. Fostering agility to support a high-performing public sector so that it can respond effectively in an environment characterised by change and uncertainty	As part of a high-performing public sector organisation, a number of Divisions within DIIRD conducted / arranged their own business-specific skills development programs that assist in responding effectively, e.g. export skills, evaluation, policy development and climate change

2.5 Department of Justice

Engaging across jurisdictions and portfolio structures where effective responses to the increasingly complex needs of individuals, families and communities require the attention of multiple agencies

The Department of Justice has been involved in a number of cross-jurisdictional and cross-Portfolio collaborations in 2007-08 to deal with challenging issues of community concern such as alcohol related harm and mental health issues.

During the year, the government established a cabinet sub-committee to investigate all issues relating to alcohol abuse and public safety. The Department provided advice to the committee on community education, best practice liquor licensing and enforcement and was a key contributor to *Restoring the Balance—Victoria's Alcohol Action Plan 2008–2013* which was released in May 2008. The Plan included action to reduce alcohol-related violence and anti-social behaviour in, and around, licensed premises and thereby restore the balance between a vibrant nightlife and safety in public places.

Significant progress has also been made on various protocols between the Department of Human Services, Victoria Police and the Department of Justice to address gaps in the delivery of mental health services. Building on the *A Fairer Victoria* commitment to improve mental health services, the government recently agreed on priority directions for a Mental Health Reform Strategy. As part of this strategy the Department of Justice is working closely with the Department of Human Services to further investigate co-morbidity factors and develop a strategic approach that identifies and responds to indicators of potential criminality.

At the national level, Consumer Affairs Victoria has continued to champion a reform agenda in consumer protection. Consumer Affairs Victoria was actively involved in the Productivity Commission review into the national consumer protection framework, coordinating the Victorian Government's three submissions to the review. The Productivity Commission drew heavily on these submissions in its final report. The Victorian Government has endorsed the continuing role of Consumer Affairs Victoria in protecting consumers and emphasise the need to have a state-based consumer protection agency to provide a filter for government proposals affecting consumers.

Consumers will benefit from increased protection under a Memorandum of Understanding (MOU) signed between Consumer Affairs Victoria (CAV) and the Australian Competition and Consumer Commission (ACCC). The memorandum sets out a framework for cooperation between the two agencies to serve consumers' interests best and promote fair trading and competition across jurisdictions.

Consumer Affairs Victoria is leading a whole of government strategy to improve protections for residents of rooming houses, caravan parks, residential parks and student accommodation. Rooming houses play a crucial role in housing the vulnerable and disadvantaged. This year we set up an interdepartmental committee to coordinate the whole-of-government approach to rooming house issues. CAV administers the *Residential Tenancies Act 1997* and are the regulatory body in this arena. The Office of Housing has policy responsibility for the *Residential Tenancies Act 1997* and the *Health (Prescribed Accommodation) Regulations 2001* (HPA Regulations) under the *Health Act 1958*. CAV will continue to work closely with the Office of Housing and local government to achieve better outcomes.

Consumer Affairs Victoria joined forces with the Building Commission to create an advice and dispute resolution service for consumers in their dealings with the domestic building industry. Building Advice and Conciliation Victoria (BACV) combines conciliators from Consumer Affairs Victoria with technical experts from the building commission to resolve disputes before they escalate. The timeliness of outcomes has been expedited through the introduction of innovative all parties to and assisting with the dispute meeting on site to clarify matters and directly address resolution of disputes.

Consumer Affairs Victoria funds various agencies to deliver specific consumer projects or services, usually to vulnerable or disadvantaged consumers who need targeted help. These funded agencies include the Peninsula Community Legal Centre, Housing for the Aged Action Group, Tenants Union of Victoria, Consumer Action Law Centre, Residents of Retirement Villages of Victoria, Consumer Utilities Advocacy Centre and Community Information Victoria Incorporated.

Preparing to meet workforce planning challenges (including developing leadership skills and capabilities)

In 2007-08, the Department of Justice continued to provide corporate training through its learning service, which targets competencies needed for effective and productive contributions to the work of the Department. Justice subscribes to the VPS Leadership Framework developed by the recently established Victorian Leadership Development Centre (VLDC). A number of external leadership development programs have been identified to meet the needs of our senior and emerging leaders and a new coaching program was developed to support leaders at all levels within Justice.

Attraction and retention of the right staff is becoming increasingly important. The Department has been trialling new approaches to recruitment in order to attract high quality staff and meet the Department's objective of modernizing and broadening the capabilities of its workforce. For example, in 2007-08 the Department developed a new approach to recruit and overhauled the way it recruits Sheriff's Officers. Sheriff Officers today need to possess the right combination of human qualities, like problem solving, firmness, sensitivity and empathy.

The Department is an equal opportunity employer that values and actively supports a diverse workforce. For example, the *Koori Recruitment and Career Development Strategy* aims to increase the number of indigenous people employed across all areas and all levels of the Justice Portfolio. Recruitment strategies and workplace support networks are also in place for people with a disability and people from non- English speaking backgrounds.

Building and strengthening citizens' trust in public institutions, so that those institutions have the operating legitimacy they require to make their activities credible and effective

Community confidence in justice institutions is being fostered in a number of ways. A major project has been underway in the Department since 2004 to review gambling licenses arrangements for the period beyond 2012, culminating in the April 2008 announcement of changes to the structure of the gambling industry in Victoria. The integrity and probity of the licence review processes has been overseen by an independent review panel.

There is ongoing work to ensure people in need can access legal aid (especially in the criminal and child protection fields but also in civil matters) and recent reforms provide for victim centred justice. These include enhanced victims assistance and counselling services, new support services for victims of sexual assault and the establishment of Victoria's Child Witness Service, launched in September 2007**.**

A network of ten Local Aboriginal Justice Action Committees has been established as a grass roots extension to the Regional Aboriginal Justice Committees to develop closer relationships and build trust with local indigenous communities currently experiencing poor justice outcomes. Community input has been sought via the Sentencing Advisory Council and the Victorian Law Reform Commission to a wide range of sentencing and law reform issues this year, including reviews of family violence sentences, suspended sentences, penalties for negligently causing serious injury and new child homicide legislation.

To assure the community of protection from high security offenders, a new highly secure and state-of-the-art 'prison in a prison' was officially opened at Barwon prison in August 2007. The self-contained Melaleuca unit manages Victoria's most violent prisoners and those who need a higher level of protection such as witnesses in the gangland court cases.

Developing more responsive public services in a way that balance the advantages of economies of scale with greater personalisation and choice to citizens

The Department of Justice is developing more responsive public services through greater focus on regions, community outreach and online service delivery.

In recent years, the Department of Justice has improved its responsiveness to differing community issues through its network of regional co-ordinators and participation in the government's regional management forums. In addition, the co-location of services at four new Justice Service Centres opened this year is offering greater flexibility in addressing local client needs. The department is now in the process of adopting a regional management structure to oversee and enhance the delivery of services across the state. This will align Justice with other State Government Departments and further facilitate 'joined up' service delivery.

The Department continues to develop its outreach services taking information to people who would not normally visit justice service centres or regional offices. For example, during 2007–08, the justice bus travelled more than 3000 kilometres visiting 12 towns (Kyabram, Tatura, Euroa, Violet Town, Shepparton, Yarrawonga, Mansfield, Alexandra, Kilmore, Broadford, Geelong and Mildura).

Consumer Affairs Online and Victorian Courts Online offer citizens accessible and tailored consumer and legal information and assistance, while the Victorian Registry of Births, Deaths and Marriages has a variety of online products and services that commemorate significant life events of all Victorians.

Supporting the development of citizens' individual responsibility to achieve better outcomes, through providing a range of incentives

Incentives are used in a number of different contexts within justice. A range of problem solving approaches to persistent offending are used to divert offenders out of the criminal justice system. For example, full compliance with drug and alcohol problems may lead to lesser charges or reduced sentences. Good driver and designated driver programs are promoting responsible conduct on our roads, while the 'Fairer and Firmer' infringements campaign offers incentives to pay fines, such as instalment plans. The Attorney General's Justice Statement 2, released in October 2008, outlines better approaches to the management of civil disputes, including stronger incentives for early resolution of disputes and sanctions for delay. In the field of emergency services, incentives are used to encourage volunteerism and promote preparedness for emergencies.

Developing systems and skills to work effectively with the private and non-profit sectors

The County Court of Victoria and two of Victoria's prisons, Port Phillip Prison and Fulham Correctional Centre, are operated under public/private partnership arrangements with a focus on value for money and optimal risk allocation between the two sectors. The Department continues to refine systems and skills for managing outsourced services such as courts, prison and victims services and the TCS/IMES contract for processing of road safety infringements.

Fostering agility to support a high-performing public sector so that it can respond effectively in an environment characterised by change and uncertainty

The Department of Justice recognises the importance of responding rapidly to critical, complex, cross-portfolio issues that require a 'joined-up' approach. Situations requiring a rapid response are increasingly the norm for government. While an organisation's structure is acknowledged as an important element of its ability to be 'agile' and 'adaptive', elements such as leadership, culture and organisational practice are also significant. The Department is currently considering the best ways to foster agility in the Justice context. Over the course of the 2007-08, the Department has dealt with a raft of complex and high profile policy issues, delivered on major social reforms and responded effectively to emergencies, including severe storms and another intense bush fire season.

Building and strengthening citizens' trust in public institutions, so that those institutions have the operating legitimacy they require to make their activities credible and effective.

Consumer Affairs Victoria, Aboriginal Affairs Victoria, and the Office of the Registrar of Indigenous Corporations are working together to deliver a Governance Training Program to Indigenous-controlled community organisations in Victoria.

Most of the organisations that attend the training are incorporated associations or co-operatives. In 2007-08, we held three-day workshops in Lakes Entrance in September 2007, Melbourne in November 2007, Hamilton in March 2008 and Melbourne in May 2008. As a result of the program, more Indigenous community organisations have been contacting us for advice, help in resolving disputes, and for reviews of their constitutions.

2.6 Department of Planning and Community Development

Critical future priorities for the Victorian public sector	**Action taken by your organisation in 2007-08**
1.Engaging across jurisdictions and portfolio structures where effective responses to the increasingly complex needs of individuals, families and communities require the attention of multiple agencies	**Family Violence Prevention Activity:** The Office of Women's Policy continues to lead whole-of-government family violence prevention activity. Government has worked closely with the community to reform the service system responding to violence against women. The Family Violence State-wide Advisory Committee and the State-wide Advisory Committee to Prevent Sexual Assault provide advice to Government on all aspects of service reform. **Family Violence Reform Strategy:** $75 million has been committed since 2005 to reform and integrate system responses to family violence. **Sexual Assault Reform Package:** $39 million committed since 2006 to strengthen and improve the system response to sexual assault. **Disability Action Plans** In 2007-08, the Office for Disability supported all ten government departments and 32 statutory authorities in the development and implementation of Disability Action Plans (DAPs). DAPs are seen as one of the most effective vehicles for organisations to improve access to goods and services, as well as improving employment opportunities for people with disabilities. DAPs do this by systematically addressing physical, technological and attitudinal barriers. A number of training sessions were held and two guides were published and circulated at these sessions. The first guide- '*aDAPting to disability-A guide to disability action plans in Victoria*'- provides information on face-to-face and written communication, as well as how to set up accessible consultations with people with a disability. **The Office of Senior Victorians** is actively represented on many interdepartmental committees addressing community needs, particularly in relation to seniors. **The Youth Affairs Interdepartmental Committee** continued to be the predominant mechanism to co-ordinate reporting of actions under Future directions. All relevant portfolios were actively engaged. **Melbourne 2030** engaged the expertise of all appropriate stakeholders and co-producers in 2007-08 in consultation, delivery and review. These included other agencies, peak bodies, local government, developers and not-for-profit organisations,
2.Preparing to meet workforce planning challenges (including developing leadership skills and capabilities)	**DPCD Capability Framework:** DPCD has developed a Capability Framework for VPS employees and Executive Officers to describe and develop the capabilities required by DPCD now and in the future. The Capability Framework defines the behavioural capabilities, specialist knowledge areas and personal qualities required by DPCD staff to perform effectively in all roles across the Department. The Capability Framework has improved workforce planning governance and capability by providing a common platform for recruitment, performance management, career planning, learning and development and organisational development in DPCD. For example the performance management system includes a new section on business and career planning which enables staff to gain an understanding of the business unit goals and how their role and career aspirations fit within the context of the business.

Critical future priorities for the Victorian public sector	**Action taken by your organisation in 2007-08**
3.Building and strengthening citizens' trust in public institutions, so that those institutions have the operating legitimacy they require to make their activities credible and effective	**The Officer of Women's Policy** continues to actively work on increasing women's representation on government boards and committees to 40% through the Diversity Register and the Women's Register. **The Victorian Disability Advisory Council (VDAC)** operates in accordance with the *Disability Act 2006* which came into effect on 1 July 2007. Comprised solely of people with disabilities or parents of children with disabilities, VDAC aims to reflect the disability sector and in turn, build trust in public institutions and initiatives being developed across government. Specifically VDAC provides advice to the Minister for Community Services in the following areas: whole of government policy directions; strategic planning and the implementation of initiatives for persons with a disability; raising community awareness of the rights of persons with a disability and; monitoring the implementation of strategies for promoting inclusion and participation in the community of persons with a disability. The Council works with local and national community and government advisory councils to create opportunities for all Victorians with disabilities. The Office for Disability supports VDAC in many of its endeavours.
4.Developing more responsive public services in a way that balance the advantages of economies of scale with greater personalisation and choice to citizens	**Youthcentral** continued to lead the way in engagement of young Victorians using WWW technology to offer information and engagement opportunities.
5.Supporting the development of citizens' individual responsibility to achieve better outcomes, through providing a range of incentives	**The Officer of Women's Policy Centenary of Suffrage Grants**: Funding of $354,700 to more than 50 community groups and organisations has been provided to organise projects and events that explore and celebrate the centenary of women's suffrage.
6. Developing systems and skills to work effectively with the private and non-profit sectors	The establishment of the new department provided the opportunity to review all structures, systems, practices and relationships to meet the goal of the new organisation.
7. Fostering agility to support a high-performing public sector so that it can respond effectively in an environment characterised by change and uncertainty	The establishment of the new department provided the opportunity to review all structures, systems, practices and relationships to meet the goal of the new organisation. The new department was operationalised very quickly to support the new direction. The learnings from this period are now informing change management practices across the organisation.

2.7 Department of Premier and Cabinet

Engaging across jurisdictions and portfolio structures where effective responses to the increasingly complex needs of individuals, families and communities require the attention of multiple agencies.

Engaging across jurisdictions

Many whole of Victorian Government innovations have fed into inter-jurisdictional forums as a result of the Premier's leadership of national reform. Likewise, many interjurisdictional forums require coordination across the Victorian Government. Highlights from DPC's engagement across jurisdictions in 2007-08 include:

- Council for the Australian Federation;
- Council of Australian Governments;
- Murray-Darling Basin (MDB) Water Reform Package;
- Garnaut Review;
- 2008 NSW-Victoria Senior Officials' Cross-Border Issues Meeting;
- Treaties: DPC is Victoria's representative on the Commonwealth-State-Territory Standing Committee on Treaties (SCOT), the mechanism for Commonwealth/State consultation on international treaties and United Nations declarations;
- Mutual Recognition: DPC represents Victoria on the Cross Jurisdictional Review Forum and has co-ordinated Victoria's contributions to the ongoing *2008 Productivity Commission Review of the Mutual Recognition Agreement* (MRA) and Trans-Tasman Mutual Recognition Arrangement (TTMRA);
- National Identity Security Strategy: DPC officials sit on the National Identity Security Coordination Group (NISCG), the inter-jurisdictional body set up to oversee implementation of the National Identity Security Strategy (NISS);
- National Licensing System: Work is also being undertaken through the Business Competition and Regulation Working Group of COAG focusing on 27 "hotspots" for regulatory reform. See: <<http://www.coag.gov.au/coag_meeting_outcomes/2008-03-26/index.cfm>>; and
- Cabinet and Cabinet Committees: DPC manages the Cabinet and Cabinet Committee process. Whole of Government submissions and responses are considered by Cabinet. All major initiatives undertaken by the Victorian Government with interjurisdictional implications are considered by Cabinet or one of its Sub Committees, for example Victoria's position at COAG.

Engaging across portfolio structures

One of the key roles of the Department is to advise the Premier on matters affecting the Victorian Government as a whole. This involves developing and leading whole of Government initiatives that aim to ensure effective outcomes for all Victorians.

The Office of Climate Change, DPC is responsible for whole of government policy and strategy, focusing on longer term issues and the economic, environmental and social impacts of climate change. It brings together the interests of multiple portfolios including Energy and Resources, Agriculture, Small Business, Water, Environment and Climate Change and Industry and Trade.

The Office also leads inter-jurisdictional policy development through the COAG Climate Change and Water Working Group.

Other examples of DPC engaging across portfolio structures include:

- The Ministerial Taskforce on Aboriginal Affairs (this work informs Victoria's positions in intergovernmental forums including the COAG indigenous reform Working Group);
- The A Fairer Victoria Interdepartmental Committee;
- The Not-for-Profit Action Plan Interdepartmental Committee;
- The Mental Health Reform Strategy; and
- Children's services co-ordination board.

Preparing to meet workforce planning challenges (including developing leadership skills and capabilities)

DPC is reviewing its workforce planning policies.

Building and strengthening citizens' trust in public institutions, so that those institutions have the operating legitimacy they require to make their activities credible and effective.

DPC has supported the Premier and Government to build and strengthen citizens' trust in public institutions by:

- coordinating and publishing the Victorian Government's first S*tatement of Government Intentions*, outlining the major legislative initiatives for 2008. This initiative strengthens our democratic institutions by providing Victorians with the opportunity to participate in the consultation process on the Government's legislative agenda for the year;
- managing ten Community Cabinet visits;
- assisting the Department of Innovation Industry and Regional Development in publicly releasing quarterly reports, detailing the costs and benefits of Ministerial overseas travel for the 2007-08 financial year;
- providing advice to the Premier on the Government's reference to the Public Accounts and Estimates Committee *Inquiry into Strengthening Government and Parliamentary Accountability in Victoria*;
- supporting the project development for audio webcasting of all sessions of the Legislative Assembly and Legislative Council, including Question Time;
- providing advice to the Premier on the Government's introduction into Parliament of amendments to Freedom of Information legislation, that will implement reforms recommended by the Ombudsman;
- publishing the names of people who serve on Government boards, and the remuneration bands for public board appointees on the internet; and
- coordinating and developing a Climate Change Summit at Parliament House involving over one hundred delegates from various sectors, including local government, business and non-government organisations to discuss how Victorians can best meet the challenge of climate change. The Summit included an on-line forum, where community members could have their questions and comments answered by the Parliamentary Secretary for the Environment. Thousands of people watched the opening of the Summit on-line. In addition, around one hundred submissions, providing community views on the Government's Summit Paper, were received from individuals and organisations.

Fostering agility to support a high-performing public sector so that it can respond effectively in an environment characterised by change and uncertainty

A significant part of the efforts of the State Services Authority to promote professionalism and adaptability in the Victorian public sector in 2007-08 was its collaborative work with the State Coordination and Management Council (SC&MC) to design and implement the proposal to establish the Victorian Leadership Development Centre (VLDC). The VLDC aims to *"foster, across the Victorian public sector, a culture of leadership development to promote a sustainable, highly skilled, diverse and professional leadership capacity which consistently meets the needs of the Victorian Government and the community it serves."*

DPC strongly supports challenging public sector programs like the Australia and New Zealand School of Government Executive Fellows Program and Executive Master of Public Administration. Other programs include offerings from Cranlana and the Williamson Foundation. Further, the DPC Secretary is a Fellow of the Institute of Public Administration Australia and has spoken publicly on numerous occasions on the issue of leadership in the public service.

DPC's new Performance Development and Progressions Plan (PDP) and learning and development programs focus on professional and career development opportunities and support DPC's leadership role in fostering agility across the sector.

2.8 Department of Primary Industries

Critical future priorities for the Victorian public sector	**Action taken by your organisation in 2007-08**
1.Engaging across jurisdictions and portfolio structures where effective responses to the increasingly complex needs of individuals, families and communities require the attention of multiple agencies	DPI are strengthening Whole-of-Government and National collaborations through initiatives such as: • playing a leadership role in the establishment of National Primary Industries Research Development and Extension Framework; • the release of the Whole-of-Government Future Farming Strategy; and • developing and securing funding for a range of Whole-of-Government Future Energy initiatives, as announced in the 2008-09 State Budget. This includes funding for continued membership of the Australian Cooperative Research Centre for Greenhouse Technologies (CO2CR).
2.Preparing to meet workforce planning challenges (including developing leadership skills and capabilities)	DPI has implemented a leadership development framework to build and foster leadership skills and capabilities. To date, 480 supervisors/managers have attended. DPI has commenced assessing current and future capability requirements within the Department.
3.Building and strengthening citizens' trust in public institutions, so that those institutions have the operating legitimacy they require to make their activities credible and effective	DPI are systematically reviewing our sectoral strategies in close consultation with key stakeholders and maintaining high standards of probity to achieve this goal.

Critical future priorities for the Victorian public sector	**Action taken by your organisation in 2007-08**
4.Developing more responsive public services in a way that balance the advantages of economies of scale with greater personalisation and choice to citizens	A major part of DPI's role is to be an agent of beneficial change, to address the large challenges and opportunities of the future. Initiatives implemented by the Department seek to complement, not compete with, the private sector. A key aim of the Department is to act where markets have failed or are likely to fail, and important public benefits are likely to arise. One example is the current review of our farm services, which seeks to segment our client base and target services to greater areas of impact without crowding our private providers.
5.Supporting the development of citizens' individual responsibility to achieve better outcomes, through providing a range of incentives	The Future Farming Strategy commits government to moving from business welfare during drought to encouraging greater preparedness by farm businesses managing climate and market risks. The Victorian Energy Efficiency Target (VEET) provides incentives for households to contribute to climate change mitigation through more energy efficient appliances.
6. Developing systems and skills to work effectively with the private and non-profit sectors	DPI works in collaboration with a wide range of private companies in order to facilitate large capital projects and programs. In 2007-08, this included projects such as: • the facilitation of the $750 million HRL clean coal development near Loy Yang, which was announced in July 2008; and • the development of a Biosciences Research Centre, which is being procured and delivered under the Victorian Government's *Partnership Victoria* policy.
7. Fostering agility to support a high-performing public sector so that it can respond effectively in an environment characterised by change and uncertainty	DPI has commenced identifying a number of collaborative and innovative tools that enable agility amongst its workforce. This includes collaborative tools that allow for knowledge sharing across IT infrastructure. The continued support for the Young Professionals Network also encourages collaboration and networking among staff. We are also fostering innovation and collaboration through DPI conferences and a more rigorous and interactive framework for planning the investment of DPI's resources.

2.9 Department of Sustainability and Environment

Critical future priorities for the Victorian public sector	Action taken by your organisation in 2007-08
1.Engaging across jurisdictions and portfolio structures where effective responses to the increasingly complex needs of individuals, families and communities require the attention of multiple agencies	The Department continues to partner with other departments, government agencies and private industry (where appropriate) to ensure the community benefits from public policies. This is shown by the use of a number of Whole- of-Government initiatives, as reported in the State Budget Papers. One such example is the Premier's recent announcement of $115m for drought affected communities, which provides funding to a number of departments to facilitate a multi-agency response. This includes funding to the Department for water rebates for irrigators and a drought employment package.
2.Preparing to meet workforce planning challenges (including developing leadership skills and capabilities)	As per page 25 of the Department's *2007-08 Annual Report*, a strategic workforce planning framework was implemented in 2007-08. This framework addresses key workforce issues such as recruitment and retention, career planning and succession planning and focuses on new and innovative responses. The framework builds on, and compliments, the work of the SSA.
3.Building and strengthening citizens' trust in public institutions, so that those institutions have the operating legitimacy they require to make their activities credible and effective	The Department is committed to open and transparent reporting and provides updates on outcomes and service delivery in a number of ways. This includes the Department's Annual Report and the Department's reporting in the Annual State Budget Papers. The Department also follows all requirements under the *Financial Management Act*, as well as any directions made by the Minister for Finance or the Department of Treasury and Finance, such as the Financial Management Compliance Framework.
4.Developing more responsive public services in a way that balance the advantages of economies of scale with greater personalisation and choice to citizens	The Department focuses on providing outcomes and services that are responsive to community needs and expectations. One way this is achieved across Government is via community consultation processes. For example, the Department is currently developing a Land and Biodiversity White Paper, due for release in 2009. this White Paper has been informed by extensive community consultation and over 360 written submissions. This process has provided an opportunity for Victorians to have input into the development of new policy approaches, which in turn allows the public service to be more responsive to community views.
5.Supporting the development of citizens' individual responsibility to achieve better outcomes, through providing a range of incentives	The Department is supporting the community to achieve better outcomes in areas such as water management and climate change. The Department encourages the community to achieve better outcomes through a range of incentives and rebates. For example, rebates for the installation of rainwater tanks, free exchange of existing shower heads for efficient models, rebates for the installation of solar hot water systems, installation of dual fuel toilets and the retrofitting of Office of Housing accommodation and low-income housing to assist with the reduction of energy consumption.
6. Developing systems and skills to work effectively with the private and non-profit sectors	Many of the partners DSE undertakes its work with include private and not-for-profit sectors. For example DSE effectively undertakes a range of work with Catchment Management Authorities and Committees of Management to deliver policies or share responsibilities in caring for public land. DSE also incorporates the Arthur Rylah Institute for Environmental Research which partners with private industry to provide strategic research and management advice to answer key questions affecting ecologically sustainable land or water management and resource use policies.
7. Fostering agility to support a high-performing public sector so that it can respond effectively in an environment characterised by change and uncertainty	The Department holds the key role in the management of bushfires on public land. As a result, the majority of Departmental staff are trained in a secondary fire role, such as general fire-fighting or positions within the Emergency Management Centre. This flexibility allows the Department in conjunction with other agencies who have similar practices such as DPI or Parks Victoria, to quickly respond to incidences of fire while still maintaining the day to day operations of the Department.

2.10 Department of Transport

Critical future priorities for the Victorian public sector	**Examples of Action taken by DOT in 2007-08**
Engaging across jurisdictions and portfolio structures where effective responses to the increasingly complex needs of individuals, families and communities require the attention of multiple agencies	The Department is represented at forums which are designed to assist in bringing together a co-ordinated approach to the complex needs of communities, such as: • Ageing in Victoria Policy Framework IDC, chaired by Department of Planning and Community Development (DPCD); • Youth Affairs IDC, chaired by DPCD; • Social Development IDC, chaired by the Department of Premier and Cabinet (DPC); and • Growth Areas Authority, DPCD, Department of Sustainability and Environment (DSE) Senior Executives Meetings The Department has worked closely with other agencies such as DPCD, the Department of Human Services and the Department of Education and Early Childhood Development in the planning and delivery of tailored, innovative transport solutions to small communities throughout regional Victoria that provide enhanced accessibility to community, health and educational services. This has been conducted as part of the Transport Connections Program and includes the engagement of community groups, transport providers and local businesses. Furthermore, the Department has worked with regional transport operators to provide more tailored transport solutions that utilise taxis to supplement road coaches, and to maximise services on trunk routes where the use of a road coach is not viable due to low patronage. DoT has also worked closely with other Departments and agencies, notably the Departments of Planning and Community Development; Premier and Cabinet; Treasury and Finance; Sustainability and Environment; and Industry, Innovation and Regional Development and VicRoads, to develop a comprehensive Victorian Transport Plan. The Plan fully integrates transport planning with Government's land-use, sustainability, regional development, and economic capacity building strategies to provide a 21st Century transport vision that addresses individuals and families' access, mobility and liveability requirements, and the wider economic and environmental needs of business and the community.
Preparing to meet workforce planning challenges (including developing leadership skills and capabilities)	The Department has developed a workforce planning framework and is currently undertaking a workforce forecasting project to identify critical workforce needs. It is also strengthening staff development to meet future gaps with measures such as: • a new and improved mentor program; • introduction and continuation of the Rail Engineering Graduate Program (in partnership with the private sector); • partnership with Engineers Australia to offer DOT engineers participation in the Chartered Engineering Professional Development Program; • development and implementation of a six-module managers' training program. (Topics included: OHS, Budget, Difficult Conversations etc); • introduction of a specific accredited training program to develop core competencies required for regulatory roles in the specific statutory authorities; and • partnership with Universities to offer industry work placements for IT graduates. In addition, the Department is developing *A Workforce Strategy for Road Freight Drivers* and participating in the Australian Transport Council's national working group (led by the Northern Territory) on Workforce Planning and Skills

Critical future priorities for the Victorian public sector	**Examples of Action taken by DOT in 2007-08**
Building and strengthening citizens' trust in public institutions, so that those institutions have the operating legitimacy they require to make their activities credible and effective	The Department has established a culture of openness, accountability and transparency. The DOT website contains information to keep citizens well informed. Examples include: the Code of Conduct for Victorian Public Servants; regulations, fees and fines; public transport timetables, facts & figures and performance; the East West Link Needs Assessment final report; the Don't Risk It railway crossing safety awareness campaign; a list of current, completed and future projects on the rail network; and the rail freight network review. VicRoads conducts surveys of Community Attitudes to Road Safety. The DOT "Have Your Say" website invites community submissions on initiatives such as the Metropolitan Bus Service Reviews, the Taxi Safety Camera specifications and the Transport Legislation Review. In addition, general feedback is also invited. DOT and transport operators provide real-time travel information to enable the community to make more informed travel choices. Examples include SMS TramTracker, travel time information on the VicRoads website, and electronic information boards with real-time arrivals information at railway stations, tram stops and bus stops. Recorded information about the Department and its projects is available in 12 community languages (in addition to English). In addition to the DOT Multilingual Information Line, it provides translations and advertisements in community languages for many of key projects.
Developing more responsive public services in a way that balance the advantages of economies of scale with greater personalisation and choice to citizens	The Department has actively engaged in developing and delivering innovative public transport that has provided for responsive services in areas that have not been able to sustain 'traditional' public transport services. These services are known as flexible or demand responsive services. Arising from the Hume/Moreland metropolitan bus service review, a new trial demand-responsive service commenced in July 2008 in the Gowanbrae area which has never had traditional fixed route bus services. This will provide for significantly enhanced connectivity for local residents. The Department has also been conducting detailed planning for a new flexible bus service in the regional centre of Gisborne, which will include connections to the Bendigo rail line. The Gisborne flexible service will also allow residents to access retail and community services in the town centre. The Department is also involved in the Australian Research Council project: Investigating Transport Disadvantage, Social Exclusion and Well Being in Metropolitan, Regional and Rural Victoria. The project is being undertaken by the Institute of Transport Studies Monash University in association with the Department of Social Work and the Department of Psychology, Monash University, the Centre for Public Policy, Melbourne University, The Urban Transport Institute, The University of Westminster (UK) and the University of Ulster (UK). Project sponsors include the Australian Research Council, the Department of Transport, The Bus Association of Victoria, The Brotherhood of St Laurence, and The Interface Councils Forum of Melbourne. The project goal is "to investigate well being, social exclusion and transport disadvantage with reference to metropolitan, rural and regional Victoria".

Critical future priorities for the Victorian public sector	**Examples of Action taken by DOT in 2007-08**
Supporting the development of citizens' individual responsibility to achieve better outcomes, through providing a range of incentives	A mixture of enforcement, education and ticketing improvements has helped to reduce fare evasion on Melbourne's public transport system to 7.8%, which is the lowest level since Metlink fare evasion surveys began. DOT developed "Maintaining Mobility: The Transition from Driver to Non-driver" to inform discussion and identify practical actions to help senior Victorians maintain their mobility as they start to reduce the amount of driving they do or as they stop driving altogether. The Transition from Driver to Non-Driver, includes: • development of a Driver to Non-Driver Communication Strategy, through a partnership that includes the TAC, RACV, VicRoads, DHS & DPCD; and • a pilot trial of an individualised mobility support service, to assist people to identify and utilise alternative transport and mobility options when they reach the stage of limiting their driving and transitioning to non-driving, called 'Travel Assist - keeping you on the move'. Partnership includes the RACV, VicRoads, DHS, DPCD, Monash City Council and Mornington Peninsula Shire Council.
Developing systems and skills to work effectively with the private and non-profit sectors	The Department has a track record of effective partnerships to deliver infrastructure projects and service delivery through public transport franchise managements with Connex and Yarra Trams. As part of its re-organisation, the Department has recently boosted its stakeholder relationships capability, with the aim of engaging more effectively with community groups, local government, stakeholders and the general public to provide information about infrastructure projects and service changes, information about service disruptions and to seek their input on improvements.
Fostering agility to support a high-performing public sector so that it can respond effectively in an environment characterised by change and uncertainty	The DOT leadership team has embarked on a mission of transformational change to create a culture with open and collaborative communication, and shared values. DOTs values are integrated into recruitment, performance management and development processes. The Department has also strengthened its stakeholder relationships capabilities, in order to provide a better capacity for scanning and anticipating the external environment, and being able to respond more rapidly, flexibly and appropriately. Other initiatives include formal and informal Recognition and Reward programs, a range of work life balance and corporate health and well being initiatives and a strong commitment to learning and development. Cultural change is seen as a very important component to building a high performing department which anticipate and respond to an environment of uncertainty.

2.11 Department of Treasury and Finance

Critical future priorities for the Victorian public sector	**Action taken by your organisation in 2007-08**
1.Engaging across jurisdictions and portfolio structures where effective responses to the increasingly complex needs of individuals, families and communities require the attention of multiple agencies	DTF as a central agency plays an integral role in providing advice across jurisdictions.
2.Preparing to meet workforce planning challenges (including developing leadership skills and capabilities)	The Department's People and Culture Strategy addressed the workforce planning challenges including the implementation of the Leadership Framework and the Capabilities and Behaviour Frameworks.
3.Building and strengthening citizens' trust in public institutions, so that those institutions have the operating legitimacy they require to make their activities credible and effective	Further enhancement of the department's governance framework occurred in 2007-08.
4.Developing more responsive public services in a way that balance the advantages of economies of scale with greater personalisation and choice to citizens	Through providing high quality policy and financial advice to other government department and agencies DTF is assisting in developing a more responsive public service.
5.Supporting the development of citizens' individual responsibility to achieve better outcomes, through providing a range of incentives	Not applicable.
6. Developing systems and skills to work effectively with the private and non-profit sectors	Through Partnerships Victoria the Department is providing leadership in the Development of Public Private Partnerships.
7. Fostering agility to support a high-performing public sector so that it can respond effectively in an environment characterised by change and uncertainty	The People and Culture Strategy focuses on the four key priorities of: • culture enhancement; • attraction and retention; • developing capability and wellbeing; and • continuous improvement of people management systems and processes. The focus on these priorities will allow the Department to support a high performing public sector.

MINORITY REPORT

MINORITY REPORT

2007-08 FINANCIAL AND PERFORMANCE OUTCOMES INQUIRY

Minority Report by Coalition Members

Kim Wells MP
Gordon Rich-Phillips MLC
Richard Dalla-Riva MLC
Bill Sykes MP

Pursuant to section 34 (2) of the Parliamentary Committees Act 2003

We:

Kim Wells MP
Gordon Rich-Phillips MLC
Richard Dalla-Riva MLC
Bill Sykes MP

Submit this minority report:

Minority Report of Certain Members of the Public Accounts & Estimates Committee

We, the undersigned members of the Public Accounts and Estimates Committee (the Committee) have decided to submit a Minority Report and thereby formally oppose the adoption of the *2007-08 Financial and Performance Outcomes Inquiry* as currently drafted.

1. We cannot support Chapter 15 Quality Health and Education, and consequently have voted against this report.

Based on statements by the Auditor General it is clear to us that hospital provided data is unreliable.

The Auditor General in his report ***Access to Public Hospitals: Measuring Performance*** stated the following:

(i) Page V – Foreword

"Unfortunately, it is one of the findings of this audit that the reliability of access performance data by public hospitals cannot be assured."

Further,

(ii) Page 3 – 1.2.1 Fair representation of access performance

"It was not possible to assure that reported performance against the majority of the access indicators fairly represented actual performance."

And,

(iii) Page 5 – 1.3 Audit Conclusions

"Access indicators assist in assessing achievement against DHS's stated objective of timely and accessible human (health) services. Systemic problems with the access indicators, however, limit their usefulness. It is not possible to assure the accuracy of actual results reported by hospitals, and while most of the indicators are relevant, the appropriateness of some of the benchmarks and targets used need further justification."

This chapter should have been rewritten taking into consideration the views of the Auditor General.

In particular, the chapter should have been rewritten with greater emphasis on the inaccuracy of hospital provided data.

If PAEC were to accept the chapter in its current form it would give the impression that PAEC is accepting of the hospital figures provided.

Kim Wells MP
Shadow Treasurer

Gordon Rich-Phillips MLC
Shadow Minister for Finance,
Community Development
& Information Technology

Richard Dalla-Riva MLC
Shadow Minister for
Industry & State Development
Major Projects &
Freedom of Information

Bill Sykes MP
Shadow Parliamentary Secretary
Agriculture & Water

EXTRACT FROM THE MINUTES OF PROCEEDINGS

EXTRACT FROM THE MINUTES OF PROCEEDINGS

Monday, 30 March 2009

Chapter 2: Overview

Motion: *That Chapter 2: Overview be agreed to subject to the insertion of additional information in relation to public sector debt.*

Moved: Robin Scott MP Seconded: Richard Dalla-Riva MLC

Resolved in the affirmative.

Chapter 3: Revenue and Revenue Foregone

Key Findings of the Committee, No. 2.11:
The Committee discussed the validity of inclusion of initial thresholds within the report. The Committee agreed that reference to concessions and estimated tax expenditure be revised and reviewed by the Chair and Deputy Chair.

Motion: *That Chapter 3: Revenue and Revenue Foregone be agreed to subject to the above minor amendment.*

Moved: Robin Scott MP Seconded: Richard Dalla-Riva MLC

Resolved in the affirmative.

Chapter 9: Grants

Motion: *That Chapter 9: Grants be agreed to and the chapter adopted.*

Moved: Richard Dalla-Riva MLC Seconded: Greg Barber MLC

Resolved in the affirmative.

Chapter 13: Environmental Outcomes

Key Findings of the Committee, No. 13.11
The Committee requested more detailed data breakdown in relation to categories comprised in Greenhouse emissions, e.g. air travel, vehicle, energy use, etc.

The Committee also requested that more information on total greenhouse emissions was required.

This chapter was held-over for further review at the next meeting.

Chapter 20: Review of Annual Reports

Motion: *Subject to minor amendments and completion of a section on 'timeliness of reporting', that Chapter 20: Environmental Outcomes be agreed to.*

Moved: Richard Dalla-Riva MLC Seconded: Jennifer Huppert MLC

Resolved in the affirmative.

Wednesday 22 April 2009

Amendments to draft chapters considered at the previous meeting:
Chapter 2: Overview

Motion: *That changes to Chapter 2: Overview are agreed to and the chapter adopted.*

Moved: Kim Wells MP Seconded: Janice Munt MP

Resolved in the affirmative.

Chapter 3: Revenue and Revenue Foregone

Motion: *That changes to Chapter 3: Revenue and Revenue Foregone are agreed to and the chapter adopted.*

Moved: Robin Scott MP Seconded: Sue Pennicuik MLC

Resolved in the affirmative.

Chapter 12: Environmental Outcomes

Changes made as required at the previous meeting were noted.

12.2.6 Greenhouse Gas Emissions
The Committee requested that further information on the contribution of vehicle fleet use to greenhouse gas emissions be provided.

This chapter was held-over for further consideration at the next meeting.

Chapter 19: Review of Annual Reports

Motion: *That changes to Chapter 19: Review of Annual Reports are agreed to and the chapter adopted.*

Moved: Wade Noonan MP Seconded: Robin Scott MPC

Resolved in the affirmative.

New Chapters:
Chapter 7: Procurement

Motion: *Subject to minor amendments, that Chapter 7: Procurement be agreed to and adopted.*

Moved: Robin Scott MP Seconded: Kim Wells MP

Resolved in the affirmative.

Chapter 9: Efficiencies

The Committee noted that the response from the government to the Committee's recommendations on the *2008-09 Budget Estimates Report* has been received and that any issues pertaining to efficiencies would be reviewed by the secretariat.

Motion: *That Chapter 9: Efficiencies be agreed to and adopted.*

Moved: Kim Wells MP Seconded: Wade Noonan MP

Resolved in the affirmative.

Chapter 15: Quality Health and Education

Minor amendments were considered.

The Committee discussed the relevance of the Auditor-General's recent report on *Access to Public Hospitals: Measuring Performance.* It was agreed that appropriate words be inserted reflecting that the Auditor-General's report would be reviewed by the Committee at a later date.

This chapter was held-over for further consideration at the next meeting.

Chapter 16: Healthy Environment

Table 16.3: Costs and variations associated with the 2007-08 bushfire season
The Committee requested more information regarding resources allocated to back-burning and the number of hectares involved.

16.4: Efficient use of natural resources
It was noted information on general water conservation and energy programs for the community will be investigated by the Committee in next year's Outcomes Report.

Motion: *That Chapter 16: Healthy Environment be agreed to subject to further provision of information on back-burning.*

Moved: Jennifer Huppert MLC Seconded: Robin Scott MP

Resolved in the affirmative.

Other matters:
The Committee also noted advice from the Executive Officer that due to the merger of two previous separate chapters into one, on Staffing and Performance Bonuses, a re-numbering of the majority of chapters will be effected.

Monday 4 May 2009

Amendments to draft chapters considered at the previous meeting:

Chapter 12: Environmental Outcomes

Motion: *That changes to Chapter 12: Environmental Outcomes be agreed to and the chapter adopted.*

Moved: Janice Munt MP Seconded: Richard Dalla-Riva MLC

Resolved in the affirmative.

Chapter 16: Healthy Environment

Motion: *That changes to Chapter 16: Healthy Environment are agreed to and the chapter adopted.*

Moved: Kim Wells MP Seconded: Bill Sykes MP

Resolved in the affirmative.

New Chapters:

Chapter 4: Update on Risk Management Practices

The Committee noted an explanation from the Executive Officer for the change in the chapter title and emphasis away from 'Economic Parameters', which was in the research scope originally approved by the Committee.

Motion: *That Chapter 4: Update on Risk Management Practices be agreed to and adopted.*

Moved: Jennifer Huppert MLC Seconded: Richard Dalla-Riva MLC

Resolved in the affirmative.

Chapter 5: Public Sector Infrastructure and Asset Investment Program

Motion: *That Chapter 5: Public Sector Infrastructure and Asset Investment Program be agreed to and adopted.*

Moved: Robin Scott MP Seconded: Kim Wells MP

Resolved in the affirmative.

Chapter 6: Staffing and Performance Bonus

It was noted that performance bonuses for entities will be investigated by the Committee next year.

Motion: *That subject to the insertion of an acknowledgement that each Department has identified a range of critical workforce needs, that Chapter 6: Staffing and Performance Bonus be agreed to and adopted.*

Moved: Bill Sykes MP Seconded: Sue Pennicuik MLC

Resolved in the affirmative.

Chapter 10: Report Card by Departments

Motion: *Subject to minor amendments and the inclusion within the report, rather than posting on the PAEC website, Appendix 1 (Departmental Outcomes Achievements) and Appendix 2 (Departmental Critical Future Priorities), that Chapter 10: Report Card by Departments be agreed to and adopted.*

Moved: Richard Dalla-Riva MLC Seconded: Jennifer Huppert MLC

Resolved in the affirmative.

Chapter 13: Regional and Rural Outcomes

Motion: *Subject to minor amendments and the checking of some figures, that Chapter 13: Regional and Rural Outcomes be agreed to and adopted.*

Moved: Robin Scott MP Seconded: Gordon Rich-Phillips MLC

Resolved in the affirmative.

Chapter 14: Thriving Economy

Motion: *That the second sentence in paragraph 14.9 under 'Key Findings' be deleted so that the paragraph now reads as follows:*

Real Gross State product (GSP) per employed person in Victoria grew by 0.5 per cent in 2007-08, and increased overall since 2000-01 by 23.7 per cent.

Moved: Kim Wells MP Seconded: Richard Dalla-Riva MLC

The Committee was divided on the motion:

Ayes:	**Noes:**
Kim Wells MP	Jennifer Huppert MLC
Richard Dalla-Riva MLC	Wade Noonan MP
Gordon Rich-Phillips MLC	Robin Scott MP
Bill Sykes MP	Janice Munt MP
Sue Pennicuik MLC	Bob Stensholt MP

Under Section 24 of the *Parliamentary Committees Act 2003*, the Chair used his casting vote.

Motion negatived.

Second amendment: *That the first sentence of paragraph 14.9 under 'Key Findings' be retained but the second sentence be amended, so that the paragraph reads as follows:*

Real Gross State product (GSP) per employed person in Victoria grew by 0.5 per cent in 2007-08, and increased overall since 2000-01 by 23.7 per cent. The Government continues to provide a tax system that is competitive with other states.

Moved: Janice Munt MP Seconded: Jennifer Huppert MLC

Further discussion ensued and the second amendment was withdrawn.

Third amendment: *That the first sentence of paragraph 14.9 under 'Key Findings' be retained but the second sentence be amended, so that the paragraph now reads as follows:*

Real Gross State product (GSP) per employed person in Victoria grew by 0.5 per cent in 2007-08, and increased overall since 2000-01 by 23.7 per cent. Victoria continues to provide a tax system that is competitive with other states.

Moved: Sue Pennicuik MLC Seconded: Wade Noonan MP

The Committee divided on the third amendment:

Ayes:	**Noes:**
Janice Munt MP	Kim Wells MP
Robin Scott MP	Gordon Rich-Phillips MLC
Wade Noonan MP	Richard Dalla-Riva MLC
Jennifer Huppert MLC	Bill Sykes MP
Sue Pennicuik MLC	

Third amendment agreed to.

Motion: *That Chapter 14: Thriving Economy be agreed to and adopted.*

Moved: Janice Munt MP Seconded: Sue Pennicuik MLC

The Committee divided on the motion.

Ayes:	**Noes:**
Wade Noonan MP	Gordon Rich-Philips MLC
Janice Munt MP	Kim Wells MP
Jennifer Huppert MLC	Bill Sykes MP
Sue Pennicuik MLC	Richard Dalla-Riva MLC
Robin Scott MP	

Resolved in the affirmative.

Chapter 15: Quality Health and Education

The Committee considered amendments to Chapter 15 arising from its previous meeting.

Motion: *That Chapter 15 be withdrawn and be re-written with greater emphasis on the inaccuracy of hospital provided data, recognising that the Auditor-General in his recent report highlighted the inaccuracy of hospital provided data. If the PAEC was to accept the chapter in its current form, it would give the impression that the PAEC is accepting the hospital figures provided.*

Moved: Kim Wells MP Seconded: Richard Dalla-Riva MLC

The Committee divided on the motion:

Ayes:	**Noes:**
Kim Wells MP	Jennifer Huppert MLC
Richard Dalla-Riva MLC	Wade Noonan MP
Gordon Rich-Phillips MLC	Sue Pennicuik MLC
Bill Sykes MP	Robin Scott MP
	Janice Munt MP

Motion negatived.

Motion: *That Chapter 15: Quality Health and Education be agreed to and adopted.*

Moved: Robin Scott MP Seconded: Jennifer Huppert MLC

The Committee divided on the motion:

Ayes:	**Noes:**
Janice Munt MP	Kim Wells MP
Robin Scott MP	Gordon Rich-Phillips MLC
Wade Noonan MP	Richard Dalla-Riva MLC
Jennifer Huppert MLC	Bill Sykes MP
Sue Pennicuik MLC	

Resolved in the affirmative.

Chapter 17: Caring Communities

Motion: *That Chapter 17: Caring Communities be agreed to and adopted.*

Moved: Wade Noonan MP Seconded: Bill Sykes MP

Resolved in the affirmative.

Chapter 18: Vibrant Democracy

Motion: *That Chapter 18: Vibrant Democracy be agreed to and adopted.*

Moved: Wade Noonan MP Seconded: Richard Dalla Riva MLC

Resolved in the affirmative.

Appendix 1: Departmental Outcomes Achievements

Motion: *That Appendix 1: Departmental Outcomes Achievements be agreed to and adopted.*

Moved: Bill Sykes MP Seconded: Janice Munt MP

Resolved in the affirmative.

Appendix 2: Departmental Critical Future Priorities

Motion: *That Appendix 2: Departmental Critical Future Priorities be agreed to and adopted.*

Moved: Robin Scott MP Seconded: Sue Pennicuik MLC

Resolved in the affirmative.

Report Adoption

Motion: *That the whole of the Report on the 2007-08 Financial and Performance Outcomes including all appendices be adopted and tabled.*

Moved: Janice Munt MP Seconded: Sue Pennicuik MLC

The Committee divided on the motion:

Ayes:	**Noes:**
Janice Munt MP	Kim Wells MP
Jennifer Huppert MLC	Richard Dalla-Riva MLC
Sue Pennicuik MLC	Gordon Rich-Phillips MLC
Robin Scott MP	Bill Sykes MP
Wade Noonan MP	

Resolved in the affirmative.