PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

88th REPORT TO THE PARLIAMENT

Report on the 2009–10 Budget Estimates – Part Two

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Parliament of Victoria

Public Accounts and Estimates Committee

Report on the 2009–10
Budget Estimates – Part Two

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The reports on the 2009-10 Budget Estimates produced by the Committee consists of two parts and includes:

Part One – Volume One

- an index of key matters raised at the Budget Estimates hearings;
- departmental information;
- questions on notice; and
- the Government's response to the *2008-09 Budget Estimates Report.*

Part One – Volume Two

- transcripts of evidence of the Budget Estimates hearings.

Part Two

- information relating to responses to questions taken on notice and further information provided by the Presiding Officers, Premier, Treasurer and ministers. Additional information sought in relation to the responses received to the Committee's Budget Estimates questionnaire; and
- analysis, key findings and recommendations relating to the Budget Estimates for 2009-10.

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DUTIES OF THE COMMITTEE

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

The Committee comprises ten members of Parliament drawn from both Houses of Parliament.

The Committee carries out investigations and reports to Parliament on matters associated with the financial management of the state. Its functions under the Act are to inquire into, consider and report to the Parliament on:

- any proposal, matter or thing concerned with public administration or public sector finances;
- the annual estimates or receipts and payments and other Budget Papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council; and
- any proposal, matter or thing that is relevant to its functions and has been referred to the Committee by resolution of the Council or the Assembly or by order of the Governor in Council published in the Government Gazette.

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

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

CHAIR'S FOREWORD

As Chair of the Public Accounts and Estimates Committee, I have pleasure in presenting the Committee's Part Two report on its inquiry into the 2009-10 Budget Estimates.

This report complements Part One, which provided Parliament with a full coverage of matters raised at the Budget Estimates Hearings that took place in May 2009. Part Two contains the Committee's detailed analysis of issues pertaining to the Budget Estimates and other information contained in the budget papers.

The 2009-10 Budget Estimates Inquiry presided over a relatively turbulent period where Victoria experienced a challenging economic and climatic landscape with consequences for the future. These events called for the development of budget strategies to address the impact of the global economic downturn on the Victorian economy as well as the implementation of a recovery and rebuilding program in response to devastating bushfires of February 2009. Against this backdrop, I would like to draw on the statement made by the Treasurer in his budget speech of 5 May 2009 that '*this budget is one of the most important in Victoria's recent history*'.

Given that the annual Budget Papers are among the most significant documents presented by the Government to the Parliament and the community, the content of the 2009-10 Budget Papers in today's environment takes on an even greater meaning for the people of Victoria.

It is for this reason that the Committee views the scrutiny of the Budget Estimates as a core activity of the Committee's yearly program, forming a key part for the Parliament's role in the accountability chain. It places a wealth of evidence and analysis on the public record and contributing constructively to improving the presentation and understanding of the Budget Estimates.

In continuing with this objective, I look forward to a favourable response by government to the recommendations contained in this report.

This year there was a new budget theme, *Partnering with the Commonwealth*, in recognition of the partnership formed with the Commonwealth Government to stimulate the economy, fast track investment in public infrastructure and secure jobs. This is a new feature of this report which includes an examination of the management and accountability for Commonwealth grants and funds.

It is also important to note that some of the information reported by the Committee in this regard draws on information contained in the budget papers which, at the time the budget was handed down, was based on an estimate of the possible Victorian share of Commonwealth funding. Similarly, economic forecasts referred to in this report have been substantially drawn from budget papers and may not reflect the economic outlook at the time of publication of this report.

Finally, I would like to express my appreciation to my Parliamentary colleagues on this Committee for their commitment and bi-partisan approach, as well as the dedicated staff of the Committee's secretariat who have been instrumental in the preparation of this report.

Bob Stensholt MP

Chair

RECOMMENDATIONS

Recommendation 1: **The government draw on its transitional work underway in preparing for the accountability obligations under the Commonwealth's new funding framework to formulate a state-wide outcomes-based performance management and reporting system.** **50**

Recommendation 2: **Performance reporting to the Victorian Parliament by all public sector agencies for both state and Commonwealth funded programs and services be based on uniform outcomes-focussed reporting principles.** **50**

Recommendation 3: **The government present to Parliament an annual consolidated report identifying Victoria's performance against objectives, outcomes, output targets and milestones established under the Commonwealth's federal financial framework.** **50**

Recommendation 4: **Where the Budget Papers disclose for new asset funding, Total Estimated Investments that include projects to be delivered through the public non-financial corporations sector on behalf of government, the Department of Treasury and Finance separate out this component from that of the General Government Sector.** **58**

Recommendation 5: **The Department of Education and Early Childhood Development reports on the changes it has made to the asset investment assessment process (eg. under the Building Futures program) and the criteria used for selecting infrastructure projects.** **61**

Recommendation 6: **The Government ensure that public sector agencies keep Parliament and the community informed of progress made on asset investment projects through their annual reports in terms of:**

(a) progress towards project completion; and

(b) outcomes delivered against departmental and government objectives. **69**

Recommendation 7: **With the advent of a new framework for federal financial arrangements with the states and territories involving a range of National Agreements for Specific Purpose Payments and National Partnerships, the Department of Treasury and Finance expand the Economic Reform Agenda chapter in the Budget Papers by disclosing an abridged version of performance data that summarises how Victoria has progressed against agreed objectives, outcomes and outputs where funding has been provided by the Commonwealth Government.** **77**

Recommendation 8: **Departments disclose in their annual reports a breakdown of savings and efficiencies achieved, while disclosure in the Budget Papers be expanded to include savings estimates for departments. 77**

Recommendation 9: **Departments include in their annual reports, performance information aligned to any performance indicators established at the federal level that relate to productivity improvement. 77**

Recommendation 10: **The Department of Treasury and Finance review the accountability measures outlined in the National Agreements and the National Partnership Agreements with a view to updating the performance measures and targets contained in the Victorian Budget Papers where appropriate. 82**

Recommendation 11: **In terms of clarifying the appropriate role of state and territories' Auditors-General for enhancing state accountability under the new federal financial framework, the Victorian Government initiate discussions with COAG on what role, if any, they should have. 85**

Recommendation 12: **Departments consider adopting best practices in productivity improvement reporting such as that presented by the Department of Justice. 89**

Recommendation 13: **The Department of Treasury and Finance supplement the disclosure of revenue items in the Budget Papers by including:**

(a) **an analysis of total revenue per capita for Victoria compared to the other states and territories;**

(b) **a pie chart showing the composition of Victoria's revenue base;**

(c) **the actual budget for the previous year and actual revenue raisings for the most recent completed year; and**

(d) **explanations for a greater number of material variances between items disclosed in the Forward Estimates. 101**

Recommendation 14: **The Department of Treasury and Finance advise the Committee of the results of its study into presenting a finer breakdown of tax expenditures and concessions in the Budget Papers. 109**

Recommendation 15: **The Department of Human Services accelerate the completion date for its annual report on concessions and hardship programs which should occur as soon as possible in the following year. 113**

Recommendation 16: **The Department of Treasury and Finance conduct research to assess the socio-economic impacts that the first home bonus incentives have had in terms of their stimulative and distributive effects on the economy, particularly with regard to the securing existing jobs or creating new jobs and areas of growth. 117**

Recommendation 17: **From 2010-11, a new budget paper, providing a comprehensive overview of State Government programs and initiatives for regional and rural Victoria, be provided. 125**

Recommendation 18: **The Government investigate the social and economic impact of drought on families in regional Victoria and develop specific response strategies aimed at mitigating the severity of these impacts. 129**

Recommendation 19: **The Department of Treasury and Finance review current sustainability and environment related reporting guidelines and performance indicators. 137**

Recommendation 20: **The Department of Treasury and Finance present in the Budget Papers a reconciliation of the differences in the figures for new output initiatives shown in Budget Paper No. 2 relating to the net impact of new output initiatives for each department and Budget Paper No. 3 that discloses the sum of gross amounts for each new initiative. 137**

Recommendation 21: **The Department of Treasury and Finance considers the development of appropriate guidelines for the determination of 'funded vacancies' in public sector so that government agencies can report on their staff numbers in a comprehensive and consistent manner. 141**

Recommendation 22: **Government sector departments and agencies should collect and maintain qualitative and quantitative data such as entry and exit of staff, staff retention rates and average years of service for each VPS grade and executive level in each budget year. Such information should be used in the development of the department's workforce management and succession planning strategies. The department should also consider including this information in their corporate strategies reports. 144**

Recommendation 23: **The Department of Treasury and Finance provide further detailed information relevant to further actions involved in review processes that are identified in relevant responses to Committee recommendations. 154**

Recommendation 24: **The Department of Treasury and Finance expand the sensitivity analysis contained in the Budget Papers to quantify the impact on the general government fiscal results of selected indicators being 1 per cent lower than expected, if the financial effect is not symmetrical with the scenario presented in the Budget Papers. 172**

Recommendation 25: **In order for the target of up to 35,000 jobs to be secured in 2009-10, the Government ensure that sound project management disciplines are followed in the delivery of construction projects on time. 176**

Recommendation 26: **The Department of Treasury and Finance include outcomes reporting of the extent of jobs secured as well as the new jobs created in particular sectors. 176**

Recommendation 27: **The Department of Innovation, Industry and Regional Development report on a progressive basis and, according to key industry sectors, the take up of government subsidised training places in areas of skill shortage. 177**

Recommendation 28: **As the Victorian Transport Plan unfolds, the Department of Treasury and Finance include a progress report in the Budget Papers disclosing future planned or revised outcomes. 180**

Recommendation 29: **The Department of Transport report at regular intervals on progress made in achieving 40 per cent local content on a whole-of-life basis for train purchases. 182**

Recommendation 30: **When embarking on major rail extensions, the Department of Transport ensure that:**

(a) when features such as grade separations are involved that are costly to provide, every effort be made to ensure that projects are undertaken in a cost effective manner; and

(b) in the event that demographic factors in growth corridors suggest that the grouping of projects may be appropriate, feasibility studies be undertaken in a timely manner to justify proceeding with priority projects. 183

Recommendation 31: **For the Sunbury rail line electrification project, the Department of Transport should continue to place an emphasis on providing a high standard of service in relation to the metropolitan trains running on the electrified system, particularly with regard to cleanliness and punctuality. 184**

Recommendation 32: **The Department of Education and Early Childhood Development ensure that detailed information about the National Assessment Program – Literacy and Numeracy testing program, including differences between it and the previous Achievement Improvement Monitor testing is provided in its annual report and on its website. 189**

Recommendation 33: **The Department of Premier and Cabinet make appropriate adjustments to the Government's key measure of progress towards the Growing Victoria Together education goal to reflect the replacement of the national benchmark measures with the new national minimum standards. 194**

Recommendation 34: **The Department of Treasury and Finance and the Department of Education and Early Childhood Development report the results for student achievement in literacy, numeracy and reading in future annual reports. 194**

Recommendation 35: **The Department of Education and Early Childhood Development adopt service delivery targets for the National Assessment Program – Literacy and Numeracy measurements that exceed the national minimum standards. 195**

Recommendation 36: The Department of Education and Early Childhood Development develop and report on appropriate performance measures and targets to assess student achievement in writing. **195**

Recommendation 37: The Department of Health implement appropriate performance measures for the Victorian Mental Health Reform Strategy. **197**

Recommendation 38: The Department of Health consider reporting yearly progress against the Victorian Mental Health Reform Strategy via a separate report. **197**

Recommendation 39: The Department of Health review performance indicators for the Crisis Assessment and Treatment Service and consider the addition of performance measures that assess response times. **198**

Recommendation 40: The Department of Education and Early Childhood Development include the cost of Ultranet Coaches as a separate line item in its annual reports and Budget Papers. **200**

Recommendation 41: The Department of Education and Early Childhood Development should take steps to measure progress against anticipated outcomes for the Ultranet Coach initiative. **201**

Recommendation 42: The performance measures for Sustainable Water Management and Supply consider volumetric targets and reporting for environmental flows. **210**

Recommendation 43: An increase in funding for the Sustainable Practice Change output could be considered to meet increased performance expectations and support mitigation of climate change through development of sustainable farming practices. **221**

Recommendation 44: The Department of Human Services review the performance indicators for child protection services including human resource workloads. **233**

Recommendation 45: The Department of Human Services develop a formal evaluation framework for the Directions for Out-of-home care strategy and the outcomes arising to inform future decision-making and strategic actions. **236**

Recommendation 46: **The Department of Human Services ensure that:**
(a) community service organisations, providing residential care on behalf of the State, have a clear understanding of the aims and reform initiatives outlined in the 'Directions for out-of-home care' and, in particular, expected improvements in outcomes intended to flow from these reforms; and
(b) adequate monitoring systems are in place to assess the effective implementation of the reforms, and the improvements made, by community service organisations providing residential out-of-home care. 236

Recommendation 47: **The Department of Human Services should consider including detailed information in future Annual Reports in respect to the outputs and outcomes of its Bushfire Recovery Service Delivery Unit. 244**

Recommendation 48: **The Department of Justice develop relevant and appropriate performance measures to assess the achievements of its road safety initiatives in 2009-10 and over the forward estimates period. 251**

Recommendation 49: **The Road Safety Executive Group give consideration to the development of an evaluation strategy and the inclusion of outcome measures and targets in future action plans under the Government's Arrive Alive 2 Road Safety Strategy. 252**

Recommendation 50: **The Road Safety Executive Group determine a process for publicly reporting the results and outcomes following completion of each of the three year action plans under the Government's Arrive Alive 2 Road Safety Strategy. 252**

Recommendation 51: **Given the magnitude of the budget surpluses and efficiency savings expected to be achieved in the 2009-10 Budget year and over the forward estimates, departments consider in their business plans the need to deliver savings targets by, among other things:**
(a) promoting a culture of efficiency throughout their organisations and in the way budgets are developed and managed;
(b) demonstrating a clear commitment to improving cost control and productivity; and
(c) examining the efficacy of establishing a dedicated committee to manage the implementation of the efficiency enhancing reforms. 264

Recommendation 52: **The Department of Treasury and Finance encourage departments to disclose in their annual reports, details about the various strategies pursued during the year to achieve the required efficiency savings of a general nature, categorised according to the various types of savings. 267**

Recommendation 53: **The Department of Treasury and Finance expand the disclosure of planned output efficiencies in the Budget Papers by:**

(a) **identifying the broad range of areas where savings in the nature of general efficiencies are expected to be achieved across departments over the four year period; and**

(b) **providing a total of each department's expected contribution to savings targets over the four year period** **271**

CHAPTER 1: INTRODUCTION

1.1 Background

As part of the budget process, the government introduced two appropriation bills into Parliament on 5 May 2009. The bills were the *Appropriation (2009-10) Bill* and the *Appropriation (Parliament 2009-10) Bill*. These two bills passed through the Parliament in June 2009. This legislation allows the government and Parliament to provide services and new asset investment in 2009-10. This legislation gives the government authority to draw $34.8 billion from the Consolidated Fund[1] in 2009-10 for government services and $96.1 million for funding Parliament's activities.[2]

Along with the appropriation bills, the *Financial Management Act 1994* requires the Government to also present to Parliament the budget estimates for the forthcoming financial year. The budget estimates include, for the relevant financial year, details regarding:

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

The budget estimates also deal with the application of funds that do not require annual parliamentary authority such as: [3]

- special appropriations where there is continuing authority embodied in specific legislation ($2.3 billion);
- agency revenue credited to appropriations ($5.2 billion); and
- unspent prior year appropriations carried over to the budget year ($585.2 million).

The *2009-10 Budget Estimates* identify that the Government expects total income from operating transactions of $42.4 billion and total expenditure from operating transactions of $42.2 billion. The Government's net infrastructure investment program in the General Government Sector is expected to involve a projected net investment of $7 billion in 2009-10 and averaging $4.4 billion over the forward estimates period to 2012-13.

1.2 Process followed by the Public Accounts and Estimates Committee for its review of the 2009-10 Budget Estimates

A vital and important part of this Committee's work each year is undertaking an inquiry into the budget estimates and revenues contained in the Budget Papers. This year, the Committee issued Budget Estimates questionnaires to each department. These provided the Committee with information for the public estimates hearings with each minister, supported by departmental officers.

The Committee undertakes this process each year to gain a better understanding of the budget estimates and inform debate in Parliament on the budget. The Committee, in undertaking this report aims to constructively contribute to the quality and presentation of budget information

1 Victorian Government, *Appropriation (2009-10) Bill*, May 2009, p.2
2 Victorian Government, *Appropriation (Parliament 2009-10) Bill*, May 2009, p.2
3 Department of Treasury and Finance, Budget Paper No. 4, Statement of Finances, May 2009, pp.237-242

where possible and to ensure that there are appropriate accountability mechanisms in place to monitor the performance of departments and agencies.

In June this year, the Committee presented its *Report on the 2009-10 Budget Estimates* Part One. The intentions of these reports were to assist members of Parliament in considering the appropriation bills and to enrich Parliament's debate on the bills.

This inquiry into Victoria's budget estimates is primarily focused on the adequacy of reporting. As such, the report does not focus on whether information presented in the Budget Papers is well founded nor verify policy statements.

This second part (Part Two) of the *Report on the 2009-10 Budget Estimates* contains the following:

- an analysis, key findings and recommendations relating to the *2009-10 Budget Estimates*;
- additional information sought from Departments to clarify some responses to the Committee's Budget Estimates questionnaire; and
- responses received to questions taken on notice at public hearings and questions emanating from those hearings.

This Part Two report concludes the Committee's examination of the *2009-10 Budget Estimates*.

1.2.1 Analysis, key findings and recommendations

This report has three distinct parts:

- a summary form of key aspects of the Budget, including an analysis of fiscal parameters, infrastructure funding, contingency provisions, efficiency initiatives revenue forgone and unspent funds carried forward;
- the Committee's analysis of a number of issues, presented under theme headings that have relevance to the estimates, such as productivity, economic reform and staffing. The Committee also examines the Government's response to the *Report on the 2008-09 Budget Estimates*; and
- an examination of some issues raised by the Committee at the estimates hearings and the Government's *Growing Victoria Together* policy vision and goals.

This year, in view of Victoria's partnership with the Commonwealth as a beneficiary of the Commonwealth's various granting programs, the Committee has also devoted a chapter to analysing Commonwealth grants.

This Part Two report contains the Committee's analysis, key findings and recommendations relating to the *2009-10 Budget Estimates*. It also includes responses to questions taken on notice, further information provided by ministers and additional information sought by the Committee on departmental responses to the *2009-10 Budget Estimates* questionnaire. Responses from Departments to the Committee's questionnaire will be made available on the Committee's website: www.parliament.vic.gov.au/paec.

1.2.2 Recent machinery of government changes

In August 2009, the Government announced that the Department of Human Services was to be restructured and effectively split into two departments. The new Department of Health now oversees all health services, including mental health, aged care and preventative services in Victoria. The new Department of Human Services now oversees services for children, youth and families, housing, disability, concessions and bushfire recovery.[4]

As these changes occurred after the Budget was released, they are not reflected in this Budget. The Committee has endeavoured, where possible to ensure recommendations pertaining to the responsibilities of the new Department of Health have been addressed to it.

1.3 Acknowledgment

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

The cost of this inquiry was approximately $93,826.

[4] Premier of Victoria, Media Release – *Premier Announces Reforms to Health, Community Services and Local Government*, 12 August 2009, p.1

CHAPTER 2: KEY ASPECTS OF THE 2009-10 BUDGET

Summary of key aspects of the 2009-10 Budget:

2.1 **Budget themes underpinning the 2009-10 Budget reflect the Government's assessment of the implications to Victoria of the global economic downturn and the task of recovering and rebuilding from the extensive bushfires of February 2009.**

2.2 **Further funding over the next four years of $549 million has been provided to meet the Government's asset commitments made during the 2006 election and the Budget identifies the remaining commitment of $429 million will be delivered in next year's budget. The previous year's Budget completed funding for the Government's output election commitments.**

2.3 **The Government has reverted to its former policy of generating an annual operating surplus of at least $100 million in the light of the current fiscal and economic environment. The Budget Papers indicate the Government is committed to returning in the future to its policy, introduced in 2008-09, of achieving a budgeted operating surplus of at least 1 per cent of revenue.**

2.4 **The Budget forecasts an operating surplus of $165 million in 2009-10 and an average surplus of $349 million over the forward estimates period to 2012-13. The 2009-10 projection is similar to the latest estimated surplus for 2008-09 of $163 million which is significantly lower than the initial budget surplus for that year of $827.8 million.**

2.5 **Output funding of $908 million over five years to 2012-13 and asset funding of $78 million over three years to 2011-12 have been provided in the Budget for bushfire response and recovery. Around $593 million, or 65 per cent of total output funding, was allocated in 2008-09 which illustrates the urgency of the assistance and recovery tasks faced by the Government.**

2.6 **The Government's net infrastructure investment in the General Government Sector is projected to exceed $20 billion over the four years to 2012-13, including a record net spending target of $7 billion in 2009-10. In the non-financial public sector, which combines the General Government Sector and public non-financial corporations, net infrastructure spending to 2012-13 is estimated to increase by an additional $12.1 billion to $32.1 billion.**

2.7 **Reflecting the Government's planned increase in infrastructure spending, general government net debt is expected to increase from $5.2 billion, or 1.9 per cent of Gross State Product (GSP), at June 2009 to $15.7 billion, 5.3 per cent of GSP, at June 2012, before reaching $16 billion, or 5.1 per cent of GSP by June 2013. For the non-financial public sector, net debt is projected to increase to 10 per cent of GSP by June 2013.**

2.8 **Contingency provisions within the Budget of $3.9 billion for unallocated outputs and of $1.6 billion for unallocated capital are available to the Government over the four years to 2012-13. The level of these contingencies has decreased by 49.4 per cent and 54.5 per cent respectively from the equivalent levels in the 2008-09 Budget because of the underlying budgetary environment. The levels nevertheless remain significant.**

2.9 **The Government's capacity to draw on significant levels of contingency reserves is likely to have been useful to it in formulating 2009-10 Budget strategies to address its bushfire commitments and the implications of the global economic downturn.**

2.10 **The Budget Papers identify that efficiency targets totalling $715 million, comprising general efficiencies of $665 million over the four years to 2012-13 and savings for drought initiatives of $50 million, in 2008-09 only, have been assigned to departments. These latest targets bring the total assigned to departments in the last three Budgets to in excess of $1.8 billion.**

2.11 **Apart from the savings set under the Efficient Government Policy, the specific nature and composition of targeted efficiencies have not been disaggregated at departmental or portfolio level in the Budget Papers.**

2.1 Introduction

In this introductory chapter to its report analysing the budget estimates for 2009-10, the Committee has summarised what it considers to be the principal aspects of the Government's 2009-10 Budget. The Chapter examines the Budget in a macro manner under the following headings:

- key budget themes;
- fiscal target for operating surplus;
- bushfire recovery;
- funding for infrastructure investments;
- maintenance of Triple–A credit rating;
- new funding initiatives for 2009-10;
- contingency provisions;
- efficiency targets assigned to departments in 2009-10; and
- revenue foregone measures.

Because of its overview nature, no recommendations are presented in this chapter. However, the Committee has made some suggestions for the Government's consideration under particular headings which, if adopted, would improve disclosure of information in the Budget Papers and enhance Parliament's consideration of published material. These suggestions relate to:

- the importance of the Government ensuring there is comprehensive and transparent reporting to Parliament on its management of bushfire funding and its effectiveness in achieving planned recovery outcomes;
- a need for the Government to closely monitor its budgetary position over the forward estimates period with the aim of ensuring that net debt levels do not adversely impact its operating results and overall financial position;
- more informative disclosure of deductions made from new output funding initiatives when determining their net financial impact on the Budget; and
- a more structured approach to the presentation of planned efficiencies, including more definitive information on the nature of expected savings and the basis adopted for their allocation across departments.

In a number of places, the Committee's commentary is cross-referenced to other chapters of the report which contain more detailed information and, where appropriate, recommendations relating to the respective subjects.

2.2 Key Budget themes

The Government's published overview of the 2009-10 Budget identifies that the following six key themes underpin the overall direction of the Budget and its new funding initiatives:[5]

- *Bushfire Recovery;*
- *Protecting and Creating Jobs for all Victorians;*
- *Partnering with the Commonwealth Government;*
- *Continuing to Deliver Core Services;*
- *Building Liveable and Caring Communities; and*
- *Regional Victoria.*

The number of Budget themes has halved from twelve in 2008-09. This reduction reflects in part the Government's assessment of the implications to the Budget of the global economic downturn and the task of recovering and rebuilding from Victoria's extensive summer bushfires. The Treasurer identified these implications in the *Victorian Budget 2009-10 Overview* document and stated that:[6]

> *The 2009 State Budget is being delivered in some of the most difficult economic conditions in many decades.*
>
> *With the Global Financial Crisis and a deep global recession affecting the Australian economy, the impacts on Victoria include jobs under threat, lower business and consumer confidence, a credit crunch that is hindering investment, and a decline in world demand for many of our products and services.*
>
> *We are also facing the enormous and costly task of recovering from the worst bushfires in our history …*

The new budget themes for 2009-10 are:

- *Bushfire Recovery* – underlying its significance as a specific budgetary strategy; and
- *Partnering with the Commonwealth Government* – recognising the emerging importance of the partnership formed between the Commonwealth and Victorian Governments to stimulate the economy, fast track investment in public infrastructure and secure jobs. This theme also reflects the increasing involvement of the Commonwealth Government through its statutory advisory council, Infrastructure Australia, established in April 2008, in planning, funding and implementing Australia's future infrastructure needs. A budget theme from 2008-09, *Delivering Record Investment in Infrastructure*, has been subsumed within this new theme.

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5 Department of Treasury and Finance, Building Jobs: Building Victoria, *Victorian Budget 2009-10 Overview, May 2009,* pp.4-23

6 ibid., p.3

Several budget themes from 2008-09, including *Investing in a First Class education for all Victorians, Delivering High Quality Health Services*, and *Meeting the Growing Demand for Transport* have been subsumed into an omnibus theme for 2009-10, *Continuing to Deliver Core Services*. The titles of other 2008-09 themes have been slightly altered to better accord with the 2009-10 direction of the Budget with:

- *Protecting and Creating Jobs for all Victorians* replacing *Driving Jobs Growth and Competitive Innovative Businesses;*
- *Building Liveable and Caring Communities* replacing *Building Thriving Liveable Communities* and incorporating the former *Improving Community Safety and Access to Justice; and*
- *Regional Victoria* replacing *Securing a Prosperous Future for Provincial Victoria.*

As in previous years, the Government's *Victorian Budget 2009-10 Overview* document describes the main new funding initiatives under each theme heading that will be implemented over the next four years.[7] The major budgetary initiatives supporting the high-level goals of the Government's key visionary document, *Growing Victoria Together*, are also summarised in the Budget Papers.[8] In addition, the *Strategy and Outlook* budget document tabulates the aggregate dollar values of new output and asset initiatives assigned to each department[9] and the *Service Delivery* budget document describes each initiative under departmental headings and the departmental output/s to which they contribute.[10]

Last year's Budget identified that funding provided over the four years to 2011-12 together with funding in earlier budgets fully covered all of the Government's 2006 election output commitments.[11] On the Government's election asset commitments, the 2008-09 Budget documents showed that funding approved up to 2011-12, $2.4 billion, represented around 72 per cent of the estimated election costings of $3.4 billion.[12]

The 2009-10 Budget documents show that a further asset funding allocation of $549 million has been provided over the four years to 2012-13 and the remaining 2006 election asset commitment of $429 million '*will be delivered in next year's budget.*'[13]

2.3 Fiscal target for operating surplus

When delivering the previous year's budget, the Treasurer stated the Government had set a new target of maintaining a budget operating surplus of at least 1 per cent of revenue.[14] This new target replaced the Government's longstanding policy of generating an operating surplus of at least $100 million which had been consistently met over eight consecutive financial years.

The 2009-10 Budget Papers indicate that the Government has reassessed its short-term operating surplus target to ensure it remains relevant in the current fiscal and economic environment. The Budget Papers state:[15]

7 ibid., pp.4-23
8 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, pp.7-44
9 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, pp.45 and 51
10 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, pp.282-370
11 Department of Treasury and Finance, Budget Paper No. 3, 2008-09 Service Delivery, May 2008, p.274
12 ibid.
13 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, pp.275-81
14 Department of Treasury and Finance, Budget Paper No. 1, *2008-09 Treasurer's Speech*, May 2008, p.3
15 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.8

> *The target has been revised from an operating surplus of at least 1 per cent of revenue (in the 2008-09 Budget) to at least $100 million to allow for the delivery of vital services and the provision of key infrastructure, while also maintaining a sound fiscal position.*
>
> *In the future, the Government is committed to returning to a budgeted operating surplus of at least 1 per cent of revenue. Budgeting for operating surpluses allows the Government to deliver on its infrastructure program to secure Victorian jobs, while maintaining net debt at prudent levels.*

The Government is forecasting an operating surplus of $165 million in 2009-10 and an average of $349 million over the forward estimates period to 2012-13. Table 2.1 shows revenue and expense projections for 2009-10 together with the original Budget, the *2008-09 Budget Update* and the latest estimated actual position (presented in the 2009-10 Budget) for 2008-09.

Table 2.1: Revenue and expense estimates – 2008-09 and 2009-10

Operating item	2008-09 Budget ($ million)	2008-09 Budget Update ($ million)	2008-09 Revised Estimate ($million)	2009-10 Budget ($ million)
Revenue	37,810.0	37,970.3	39.152.1	42,388.3
Expenses	36,982.4	37,588.5	38,989.1	42,223.2
Estimated operating surplus	**827.6**	**381.8**	**163.0**	**165.1**

Sources: 2008-09 Budget Update, p.58, Budget Paper No. 2, 2009-10 Strategy and Outlook, p.37 and Budget Paper No.4, 2009-10 Statement of Finances, p.270

Table 2.1 identifies that there has been a sharp fall of $664.6 million or 80 per cent in the operating surplus projections for 2008-09 from the time of that year's Budget through to and beyond the *2008-09 Budget Update*.

The equivalent movement in operating surplus projections for 2007-08 was a rise of 207 per cent which identifies very clearly the differing economic circumstances prevailing for each period.

The Committee's future report on the 2008-09 financial and performance outcomes will analyse in some detail the factors underlying the actual movement in the operating surplus for 2008-09.

The Government provided an interim explanation of the reasons for the lower projected surplus as at December 2008 in its *2008-09 Budget Update*, which identified that the downward revision of the 2008-09 projected surplus at that time reflects:[16]

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

The 2009-10 Budget Papers describe at some length the factors impacting on Victoria's economic conditions and outlook, and the Government's strategies for responding to the current challenges, including the global economic crisis and the 2009 bushfires.[17]

16 *2008-09 Budget Update*, p.25
17 ibid., pp.4-7, 19-34

2.3.1 Revenue and expense projections for 2009-10

Revenue projections

As shown in Table 2.1, operating revenue for 2009-10 is expected to be $42.4 billion, which is $3.2 billion, or 8.3 per cent, higher than the latest estimated actual for 2008-09 of $39.2 billion. The 2009-10 Budget Papers contain detailed commentary on the movements in particular revenue items between these two sets of figures and the main underlying reasons.[18] The Budget Papers indicate that the estimated revenue growth in 2009-10 is mainly attributable to the following two factors:

An increase of $2.8 billion in Commonwealth grants (other than GST grants)

The 2009-10 Budget Papers point out that this increase principally reflects:

- additional funding (which is stated as amounting to around $1.7 billion over five years) for the five new broadbanded specific purpose payments in the areas of healthcare, schools, skills, affordable housing and disability;
- new funding associated with the creation of a new stream of reform oriented National Partnerships to drive national economic and social reforms; and
- funding provided under the *Nation Building – Economic Stimulus Plan* (which is stated as approximately $5 billion from 2009-10 to 2011-12) for economic activity aimed at improved nation building and supporting economic growth and jobs.

The Budget Papers also indicate that, as part of the new framework for Commonwealth financial relations, many payments for Commonwealth grants previously paid directly to the relevant departments are paid directly to the Department of Treasury and Finance.

An increase of $554 million in taxation revenue

Factors affecting taxation revenue are identified in the 2009-10 Budget Papers as primarily:[19]

- an expected recovery in property market activity through the course of 2009-10, initially in response to historically low mortgage interest rates in early 2009;
- the introduction of the Growth Areas Infrastructure Contribution with estimated revenue in 2009-10 of $84.7 million – this contribution applies to all eligible Urban Growth Boundary land sold or subdivided since December 2008;
- relatively weak growth in payroll tax revenue as labour market conditions soften – the estimated increase in payroll tax revenue for 2009-10 is $60 million or 1.5 per cent compared with an equivalent projected increase of $139.1 million or 3.6 per cent for 2008-09;
- increased motor vehicle registration fees in line with population growth and the consumer price index; and
- the effects of several special factors including rising domestic home and vehicle insurance premiums, increased borrowings by water corporations and higher credit risk spreads (financial accommodation levy) and modernising emergency services (insurance contributions to fire brigades).

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18 Department of Treasury and Finance, Budget Paper No. 4, *2009-10 Statement of Finances*, May 2009, pp.193-221

19 ibid., pp.193-4

Expense projections

Table 2.1 identifies that 2009-10 operating expenses are projected to increase by $3.2 billion (8.3 per cent, the same projected rise for operating revenue) to $42.2 billion, when compared with the latest estimated actual for 2008-09.

The commentary on estimated expenses in the 2009-10 Budget documents includes comparisons between the 2009-10 estimates and:[20]

- the expected average increase over the forward estimates period to 2012-13; and
- estimates for 2009-10 presented in the *2008-09 Budget Update* published in December 2008.

The forward projections over the period to 2012-13 identify growth for the Government's highest expense item, employee benefits including superannuation, is expected to average $735 million, or 4 per cent, per year which is lower than the growth expected at the time of the *2008-09 Budget Update* (6.1 per cent a year on average). The Budget Papers attribute this lower growth position to the Government's April 2009 new wages policy which provides*:* [21]

> *… the 3.25 per cent a year guideline rate a year for Enterprise Bargaining Agreements would drop to 2.5 per cent, with the opportunity for further increases in line with productivity increases.*

The Budget Papers also point out that the projected year-on-year growth in employee expenses primarily reflects:[22]

> *… the outcome of appropriately remunerating front line staff, as well as output policy initiatives, including 2009-10 Budget initiatives. The increased Commonwealth specific purpose payments … also have corresponding expenditure that contributes to the growth in services. These additional services will be delivered by additional staff and will contribute to growth in employee expenses over the forward estimates period.*

For the second major expense item, other operating expenses, which includes purchases of supplies and services, maintenance expenses and operating lease payments, expenses in 2009-10 are forecast to be $13.9 billion or 33 per cent of total expenditure[23] which is around 1 per cent less than the equivalent percentage for the aggregate revised 2008-09 estimate. These expenses are projected to decrease by an average of $55 million over the period 2010-11 to 2011-12 and increase by $80 million in 2012-13.

The estimated financial statements presented in the 2009-10 Budget Papers show that the forecast operating surplus over the forward estimates period is expected to rise from the 2009-10 estimate of $165.1 million to $562.1 million in 2012-13, with the major increase predicted for 2012-13.[24] The Budget Papers state that, while growth in revenue and expenses is similar in 2009-10 and 2010-11, a widening gap between revenue and expenditure growth from 2011-12 reflects an expected rebuilding of the taxation base as economic conditions improve, and a commitment to prudent management of operating expenditure.

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20 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, pp.42-44, 89-91

21 ibid., p.43

22 ibid.

23 ibid.

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

2.4 Bushfire recovery

The Committee identified in an earlier paragraph in this chapter that Bushfire recovery is a new budget theme which reflected the budgetary implications of the task of recovering and rebuilding from Victoria's extensive summer bushfires of February 2009. As indicated in the 2009-10 Budget, the bushfires were the worst in Australia's history.[25]

The Budget Papers state that a total of $908 million in output funding over five years to 2012-13 and $78 million in asset funding to 2011-12 have been provided for bushfire response and recovery.[26] Of the total output funding of $908 million, around $593 million (or 65 per cent) was provided in 2008-09 which illustrates the urgency of the assistance and recovery tasks faced by the Government.

The Treasurer stated that the above funding is in addition to more than $330 million raised by the Bushfire Appeal Fund.[27] The Victorian Bushfire Appeal Fund Advisory Panel subsequently announced that a total of $382 million, including around $3 million in interest, was raised by the Fund.[28]

The Budget Papers identify that the Commonwealth Government has shared the cost of many of the funding initiatives announced in the Budget, '*on a dollar for dollar basis under the National Disaster Relief and Recovery Arrangements and has also worked in partnership with Victoria to deliver programs and support, and ensure services are integrated.*' [29]

The Budget Papers describe the main output funding initiatives over five years for bushfire response and recovery under the following headings:[30]

- Fighting the fires and emergency management – initiatives totalling $379 million including $344 million for fire suppression activities;
- Supporting bushfire-affected individuals – initiatives totalling $115.5 million;
- Assisting bushfire-affected businesses – initiatives totalling $71.7;
- Rebuilding communities – initiatives totalling $135.4 million, including $21 million for the operation of the Victorian Bushfire Reconstruction and Recovery Authority;
- Preparing for the future – initiatives totalling $165 million allocated to improving emergency services; and
- Royal Commission – $40 million.

The Budget Papers also list the funding initiatives for each year as government-wide initiatives under departmental headings.[31] All ten departments have been allocated funding which illustrates the spread of responsibility across the public sector for bushfire response and recovery. The major portion of output funding, $500 million or 55 per cent of aggregate funding, is understandably allocated to the Department of Sustainability and Environment.

The Committee looks forward to a comprehensive and transparent reporting to Parliament on management of bushfire funding and the level of effectiveness in achieving recovery outcomes.

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25 Department of Treasury and Finance, *Victorian Budget 2009-10 Overview*, May 2009, *Building Jobs, Building Victoria*, p.4

26 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.10

27 Department of Treasury and Finance, Budget Paper No. 1, *2009-10 Treasurer's Speech*, p.3

28 Department of Human Services' website, www.dhs.vic.gov.au , accessed 16 September 2009

29 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.10

30 ibid., pp.10-13

31 ibid., pp.284-7, 304-5

Further commentary on the State's response to the 2009 bushfire tragedy is presented in Chapter 15 of this report.

2.5 Funding for infrastructure investments

2.5.1 Level of net estimated infrastructure investment

The Government announced in the 2009-10 Budget that net infrastructure investment in the General Government Sector over the four year period to 2012-13 is projected to exceed $20 billion, including a record net spending target of $7 billion in 2009-10.[32]

The aim of this major investment program is to help '*cushion Victoria from the worst effects of the global financial crisis by securing 35,000 jobs and build capacity for future strong growth.*'[33]

The 2009-10 Budget also established a new budget theme, *Partnering with the Commonwealth Government*, in recognition of the emerging significance of the partnership formed between the two governments to stimulate the economy, fast track investment in public infrastructure and secure jobs.

The capital expenditure estimates for the three year period 2010-11 to 2012-13 incorporate an unallocated provision totalling $1.7 billion.[34] The equivalent unallocated provision in the *2008-09 Budget Estimates* was $3.6 billion.

The previous year's budget identified that the unallocated capital provision is allocated, in accordance with existing budget practice, to specific projects in future budgets to ensure realistic forward projections of infrastructure investments. The 2009-10 Budget Papers do not reiterate this comment. However, the Budget Papers do identify in the Schedule of Projected Capital Outlays (which total $4.5 billion to 2012-13) under the Government's December 2008 *Victorian Transport Plan*, that any remaining State contributions to complete the funding of the listed capital projects '*will be sourced from Unallocated Capital*.'[35] It is not possible for the Committee to quantify the extent of the anticipated drawdown from unallocated capital as the Budget Papers indicate that:[36]

> *Some of the initiatives are to be delivered in partnership with the Commonwealth Government and the commencement and funding of these projects will be announced once agreement with the Commonwealth has been reached.*

Further comment on the unallocated capital provision is provided in Chapter 12.

Cash flow projections shown in the Budget Papers for the General Government Sector indicate that an average of around 50 per cent (down from around 64 per cent in the previous Budget) of the $20 billion net infrastructure investment program will be funded from operating cash surpluses, after the adding back of depreciation and other non-cash accrual items. The remainder of the program will be funded by borrowings.[37] The Committee's analysis of the budget estimates on an annual basis indicates the projected level of funding available from cash surpluses will be much lower in the earlier forward years, 33 per cent and 41 per cent in 2009-10 and 2010-11 respectively, but will rise sharply to 63 per cent in 2011-12 and to in excess of 90 per cent in 2012-13. Table 2.2 illustrates the percentage movements over the forward estimates period.

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32 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, pp.10, 49
33 ibid., p.3
34 ibid., p.49
35 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, pp.479-81
36 ibid., p.479
37 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.50

Table 2.2: Forecast percentage of total net cash investment in fixed assets funded from cash operating surplus, 2009-10 to 2012-13

Item	2009-10 ($ million)	2010-11 ($ million)	2011-12 ($ million)	2012-13 ($ million)
Net operating cash flow (a)	2,311.3	2,363.6	2,686.2	2,878.2
Total net investment in fixed assets (b)	6,960.6	5,702.7	4,259.2	3,174.7
	(%)	**(%)**	**(%)**	**(%)**
Percentage of (a) over (b)	33.2	41.4	63.0	90.7

Source: Percentages calculated by Committee from data in Department of Treasury and Finance, Budget Paper No. 2, 2009-10 Strategy and Outlook, May 2009, p.49

The Budget Papers also outline projections of net infrastructure spending for the non-financial public sector (NFPS) which combines the General Government Sector with information relating to the State's public non-financial corporations. The latter category mainly comprises entities providing water, housing, transport and port services.[38]

The Budget Papers indicate that net investment in fixed assets in the NFPS is expected to be $10.5 billion in 2009-10 and to total $32.1 billion over the four years to 2012-13.

2.5.2 Net debt projections

The combination of a reduced level of funding forecast to be available from operating cash surpluses, particularly in the early years, and the significant increase in the Government's planned infrastructure spending is reflected in higher estimates of general government net debt levels over the budget's forward estimates period. The Budget Papers state that general government net debt is projected to rise from $5.2 billion in June 2009 (estimated in last year's budget at $3.7 billion) to $16 billion by June 2013.[39]

As a percentage of Gross State Product (GSP), general government net debt is expected to rise from 1.9 per cent as at June 2009 to 5.3 per cent as at June 2012, before declining to 5.1 per cent by June 2013.[40] The Budget Papers state that the reduction of the net debt to GSP ratio in 2012-13 reflects:[41]

> *the Government's commitment to repay borrowings, and limit new borrowings by reducing the infrastructure program to lower, historical levels, without compromising the quality of service delivery.*
>
> *A significant proportion of infrastructure spending will be financed by cash operating surpluses, thereby limiting the reliance upon additional borrowings.*

These comments explain the sharp rise to over 90 per cent in 2012-13 in the expected level of infrastructure funding available from cash surpluses identified in the earlier paragraph.

For the NFPS, net debt as a percentage of GSP is estimated to be $11.2 billion, or 4.2 per cent of GSP at June 2009, rising to $31.2 billion, or 10 per cent of GSP, by June 2013.[42]

38 ibid., pp.59-60
39 ibid., p.56
40 ibid.
41 ibid.
42 ibid., p.68

The Treasurer outlined the Government's perspective on the increased borrowings during the Budget's forward estimates period as: [43]

> *… striking a balance between the short-term imperative of supporting the Victorian economy during a severe downturn and the longer-term goal of keeping government borrowings at a sustainable level.*

The Committee recognises the unique economic circumstances which have influenced the Government's development of the 2009-10 Budget. It considers, however, that it will be important for the Government to closely monitor its budgetary position over the forward estimates period with the aim of ensuring that net debt levels do not adversely impact its operating results and overall financial position.

The Committee also recognises the material presented in the Budget Papers on the NFPS which, as mentioned above, incorporates financial estimates pertaining to the General Government Sector and public non-financial corporations. The Committee has recommended in its June 2009 report on *New Directions in Accountability*, which documents the results of its inquiry into Victoria's public finance practices and legislation, that the Government further enhance its annual Budget Papers through inclusion of information on Victoria's public financial corporations in order to present a whole-of-government budgetary position.

Further commentary on the Government's infrastructure investment program is presented in Chapters 4 and 5 of this report.

2.6 Maintenance of triple-A credit rating

Victoria's credit rating is assessed by two international agencies – Standard & Poor's and Moody's Investors Service Limited. Both agencies conduct reviews of the State's economic structure and prospects, financial performance and outlook, balance sheet position, liquidity and debt management strategy, and the Government's fiscal strategy.[44]

In a bulletin issued by Standard & Poor's on 5 May 2009, the day the 2009-10 Budget was presented to Parliament, the Agency reported that its 'AAA' was unaffected by the Budget. The Agency stated:[45]

> *… the budget announced today for the State of Victoria is consistent with the 'AAA' credit rating and stable outlook already assigned to the State.*
>
> *The broader economic downturn has significantly affected Victoria's revenues. However, the Government's revision of its operating expenses reveals that Victoria's total public sector is forecasting a small deficit in fiscal 2009 and modest surpluses over the forecast period. Significantly less operating revenues in combination with an increase in the value of its unfunded superannuation liability has resulted in Victoria's ratio of whole-of-government net financial liabilities (net debt plus unfunded superannuation) to operating revenue reaching 119% by fiscal 2013, which remains below the 130% mark that we highlighted as an inducement for us to reassess the rating. The strength of Victoria's balance sheet prior to the economic downturn has meant that the state has some capacity to undertake additional capital expenditure without threatening its 'AAA' rating.*

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43 Department of Treasury and Finance, Budget Paper No. 1, *2009-10 Treasurer's Speech*, p.6

44 Department of Treasury and Finance, *Victoria's Credit Rating*, www.dtf.vic.gov.au , accessed 5 August 2009

45 Standard & Poor's, Bulletin: *Victoria 'AAA/A-1+' Ratings Unaffected by State Budget*, www.standardandpoors.com.au , accessed 6 August 2009

Standard & Poor's went on to say:

> *The rating could be put under pressure if the broader economic downturn is deeper and longer than forecast and the State's operating position and balance sheet deteriorate further.*

On 1 September 2009, the Treasurer announced that Standard & Poor's had confirmed Victoria's AAA credit rating.

Moody's Investors Service Limited provided its latest credit opinion on Victoria in January 2009, not long after the release of the Government's *2008-09 Budget Update*. The Agency's summary comments relating to Victoria stated that:[46]

> *Victoria's credit quality reflects a sound record of financial performance underpinned by the State's prudent fiscal practices along with strength in tax revenues and commonwealth grants, a modest debt burden stemming from positive cash operations over many years, and a sizeable and diversified economic base which amply supports the state's financial obligations. A rise in capital spending recently has resulted in modest deficits in the general government sector and somewhat larger deficits in the State's consolidated operations.*
>
> *The State is well positioned to face a more challenging economic and fiscal environment that is unfolding in Australia as a result of the global downturn and credit crisis. Deficits in the general government and consolidated government sectors are expected to widen due to increased investment in state infrastructure and a slowdown in revenues. However, Victoria is well placed to absorb these deficits given its low debt burden.*

The Government has stated in the Budget Papers that it monitors closely indicators developed by the ratings agencies when formulating its budgetary strategy '*to ensure its triple-A credit rating is maintained.'* [47]

2.7 New funding initiatives for 2009-10

The six key themes underpinning the 2009-10 Budget, which were described in an earlier section of this chapter, are principally reflected in the new output and asset funding initiatives presented in the Budget Papers.

Consistent with the presentation in previous years, an appendix to the Budget Paper No. 3, *2009-10 Service Delivery* provides the main presentation of output and asset funding initiatives extending over the next four years.[48] This document contains an expanded listing of 2009-10 government-wide funding initiatives because of the special attention given to bushfire response and recovery actions, together with an alphabetical listing of all other initiatives under the responsible departmental heading. All initiatives are accompanied by a short description of their salient features and specification of the output to which they contribute.

Table 2.3 shows the estimated net financial impact across departments for 2009-10 and over the forward estimates period to 2012-13 of new output initiatives announced in the Budget together with the aggregate value of new asset funding initiatives for 2009-10 allocated to departments and their Total Estimated Investment (TEI).

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46 Moody's Investors Service, *Credit Opinion: Victoria (State of) Australia*, 22 January 2009, p.2

47 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.70

48 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, pp.284-367

Table 2.3: New output and asset initiatives announced in 2009-10 Budget

Department	2009-10 Output initiatives [(a)] ($ million)	2010-11 to 2012-13 Output initiatives [(a)] ($ million)	2010-11 Asset initiatives ($ million)	Total estimated asset investment [(d)] ($ million)
Education and Early Childhood Development [(b)]	382.4	1215.3	1446.5	2677.1
Human Services [(c)]	575.8	1582.9	556.9	1074.9
Innovation, Industry and Regional Development	88.5	108.3	31.8	92.7
Justice	118.9	259.5	38.7	80.2
Planning and Community Development	60.0	101.2	13.1	118.5
Premier and Cabinet	13.1	58.9	9.5	31.8
Primary Industries	5.4	12.8	-	-
Sustainability and Environment	4.1	44.0	14.0	24.5
Transport	98.4	369.6	911.2	4450.3
Treasury and Finance	141.8	71.8	22.7	39.2
Parliament	1.3	-	-	-
Government wide	203.5	235.2	41.4	78.3
Total 2009-10 Budget funding	**1693.2**	**4059.3**	**3085.6**	**8667.6**
Less: Funding from demand contingency and other efficiencies	**1004.2**	**3400.4**	**n/a**	**n/a**
Net impact of new 2009-10 Budget output funding	**689.1**	**659.0**	**3085.6**	**n/a**

Notes (direct from Budget Papers):

(a) These numbers show the impact on the General Government Sector net result from transactions and differ from Budget Paper No. 3, Appendix A, as amounts funded from internal reprioritisation or other existing sources have been deducted from the figures above.

(b) Variance is attributable to three main factors:

(i) the impact of an output price review;

(ii) initiatives funded from within the 2009-10 Budget;

(iii) additional supplementation funded by the Commonwealth and price escalation for anticipated cost increases in 2009-10.

(c) Output price increases arise from initiatives funded within the 2009-10 Budget, additional supplementation provided by the Commonwealth, an output price review and price escalation for anticipated cost increases in 2009-10.

(d) Total Estimated Investment includes projects which are to be delivered through the public non-financial corporations sector on behalf of the Government.

Source: Department of Treasury and Finance, Budget Paper No. 2, 2009-10 Strategy and Outlook, May 2009, pp.45 and 51

In previous budget estimates reports, the Committee has commented on the benefit that would accrue to readers of the Budget Papers if new funding initiatives were grouped, with funding allocations sub-totalled, according to applicable budget themes or policy priorities under *Growing Victoria Together*. While the Government has opted not to take up this suggestion, it has enhanced presentation in the area in recent years such as through the linking of each funding initiative to its relevant output.

In Budget Paper No. 3, *2009-10 Service Delivery*, the Government has grouped certain major categories of output and asset initiatives in the government-wide and departmental sections of the Budget Paper. The major group presented under the government-wide heading relates to bushfire response and recovery actions. Under the departmental headings, some initiatives are grouped under the relevant Commonwealth-funded initiative such as *Building the Education Revolution* and *National Partnerships in Health, Social Housing and Homelessness*, while certain other initiatives are shown under State categories such as the *Victorian Schools Plan* and the *Victorian Transport Plan*.[49]

All other new funding initiatives are listed individually without headings under departmental headings.

Funding allocations for all grouped initiatives are not sub-totalled which means that readers of the Budget Papers have to do their own additions, which can involve several items across several departments over the forward estimates period, to identify the aggregate funding in each category. The Committee considers the Government could further enhance budget presentation in this area.

In addition, as stated in note (a) to Table 2.3, the information on new output initiatives presented in departmental order in Budget Paper No. 2, *Strategy and Outlook* represents their net financial impact on the Budget and differs from the sum of gross amounts for each new initiative shown in tables for each department in Appendix A of Budget Paper No. 3. This difference is explained in the note *'as amounts funded from internal reprioritisation or other existing sources … deducted from the figures above'*.

For several departments, these differences are substantial and relate to the figures presented in Table 2.3 before the significant deductions shown in total against the item *'funding from demand contingency and other efficiencies'*. This latter item, which is not explained in the accompanying narrative, presumably has some relationship to unspent provisions from previous budgets and the Government's efficiency strategies.

The Committee considers there would be merit in the Government presenting in the Budget Papers a reconciliation of the differences in the figures for new output initiatives shown in Budget Papers Nos. 2 and 3 for each department. In addition to explaining the differences, this approach would assist readers in understanding the nature of the terms 'internal reprioritisation' or 'other existing sources'. The Committee also considers the reconciliation should extend to a dissection across departments of the deductions made for demand contingency and other efficiencies together with a description of that item.

Further information on the new funding initiatives outlined in the 2009-10 Budget is presented in Chapters 3, 5 and 17 of this report.

[49] ibid.

2.8 Contingency provisions

Contingency provisions in the 2009-10 Budget fall into three categories, namely:

- contingencies for operating expenses;
- contingencies for unallocated capital spending; and
- the annual contingency provision available as an Advance to the Treasurer in the Appropriation Act.

The dissection of budgeted operating expenses by department presented in Table 3.1 of Budget Paper No.4 discloses that '*Contingencies not allocated to departments'* are estimated to total $181.5 million in 2009-10 as part of an aggregate of $3.9 billion for the four year period to 2012-13.[50] An explanatory note states that this contingency:

> *includes a provision for programs lapsing, future demand growth, items not yet formalised at the time of the budget and an allowance for departmental underspending in 2009-10 which may be subject to carryover into 2011-12.*

The contingency provision for capital spending is presented in the budget as a capital provision, approved but not yet allocated, amounting to $1.7 billion over the forward estimates period to 2012-13 (nil in 2009-10).[51] This provision forms part of the computation of estimates for the net cash investment in fixed assets which, as described in the earlier section 2.5 relating to infrastructure funding, is financed by a combination of the operating cash surplus and an increase in net debt.

The third form of contingency provision, the annual Advance to the Treasurer, is available to meet urgent claims that may arise before Parliamentary sanction is obtained. This provision forms part of annual appropriations recorded under the Department of Treasury and Finance in the annual *Appropriation Act*. The estimated provision for 2009-10 is $899.7 million.[52]

Table 2.4 brings together these three contingency items and shows the relevant estimated provision over the period to 2012-13, as presented in the current budget and the *2009-10 Appropriation Act.*

50 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, May 2009, p.105
51 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.49
52 *Appropriation (2009-10) Act 2009*, Schedule 1, p.15

Table 2.4: Contingency items within the 2009-10 Budget and Appropriation Act

Item	2009-10 Budget ($ million)	2010-11 Estimate ($ million)	2011-12 Estimate ($ million)	2012-13 Estimate ($ million)	Total ($ million)
Output contingencies					
Output contingencies not allocated to departments [(a)]	181.5	868.7	1,325.4	1,501.1	3,876.7
Advance to the Treasurer to meet urgent claims that may arise before Parliamentary approval [(b)]	899.7	-	-	-	899.7
Total [(b)]	1,081.2	868.7	1,325.4	1,501.1	4,776.4
Asset contingencies					
Capital provision approved but not yet allocated [(c)]	-	262.8	555.0	845.0	1,662.8

Sources: *(a) Budget Paper No.4, 2009-10 Statement of Finances, p.105*

(b) Department of Treasury and Finance, (2009-10) Appropriation Act 2009, p. 15 of Schedule 1. The total shown is a minimum figure as, based on past practice, it is likely that a similar provision for each year beyond 2009-10 would be included as an Advance to the Treasurer in the respective appropriation Acts

(c) Budget Paper No. 2, 2009-10 Strategy and Outlook, p.49

The equivalent total output and asset contingency provisions presented in last year's Budget, not including the estimated Advance to the Treasurer, were $7.7 billion and $3.6 billion respectively. Output contingencies not allocated to departments have decreased by $3.8 billion or 49.4 per cent and the unallocated capital provision by $2 billion or 54.5 per cent. The Committee attributes these decreases to the underlying budgetary environment and the Government's significant financial commitments arising from its response to the 2009 extensive bushfires and the global economic downturn. Even with these decreases, the aggregate contingency provisions in the 2009-10 Budget over the four year period to 2012-13 remain significant in value.

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

The Government's capacity to draw on significant levels of contingency reserves is likely to have been useful to it in formulating 2009-10 Budget strategies to address its bushfire commitments and the implications of the global economic downturn.

Without favouring a view one way or the other on the ideal quantum of contingency provisions, the Committee concluded in its *Report on the 2007-08 Budget Estimates* that the management of contingencies was a significant element of the Government's fiscal responsibilities. It expressed the view that, from an accountability perspective, there was scope for greater transparency in the presentation of contingencies, including their role and impacts in the budgetary process and the basis adopted for their quantification.[53]

[53] Public Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates – Part Three*, September 2008, p.34

The Committee was therefore pleased that the Government included in last year's Budget Papers some additional commentary on the nature and function of contingencies in the budget process as part of an explanation of the Government's expenditure risks. This additional presentation has been repeated in the current Budget Papers.[54]

While again recognising continuation of the additional presentation on contingencies in the 2009-10 Budget, the Committee reiterates its view, expressed in its *Report on the 2008-09 Budget Estimates*, that there was potential for the Government to build on its initial step to incorporate in future budgets a tabular disclosure of all contingencies and identification of the basis for their quantification.[55] The Committee further considers that such disclosure should include a reconciliation of the movement in contingencies between each budget which would inform readers of the extent to which contingency reserves brought forward from the previous year have been taken up in the current budget and the magnitude of the provision for contingencies established in the current year. Such material would have been particularly useful to readers of the 2009-10 Budget Papers.

The Committee has also recommended in its June 2009 report, arising from its *Inquiry into Victoria's Public Finance Practices and Legislation*, that the estimated financial statements included in each year's Budget Papers separately disclose contingency expenses for operating purposes.[56]

2.9 Efficiency targets assigned to departments in 2009-10

The Committee's budget estimates reports in recent years have included commentary on significant efficiency targets assigned to departments under the Government's savings strategies.

The Committee's *Report on the 2007-08 Budget Estimates* identified that the 2007-08 Budget commenced implementation of the Government's *Efficient Government Policy* which was a specific element of the Government's 2006 election commitments.[57] The policy provides for output savings to be achieved by departments totalling $447 million over the four year period 2007-08 to 2010-11. The Government also announced in the 2007-08 Budget output savings targets from other efficiencies amounting to $185 million over the period to 2010-11.

In its *Report on the 2008-09 Budget Estimates*, the Committee identified that the Government announced in the 2008-09 Budget a second category of general efficiencies in administration totalling $500 million to be achieved by departments over the four year period to 2011-12.[58]

The Government's 2009-10 Budget introduces a third category of efficiency targets assigned to departments. This latest category provides for general efficiencies amounting to $665 million to be achieved by departments over the four year period to 2012-13.[59] The 2009-10 Budget Papers also show that drought savings targets totalling $50 million were allocated to departments in 2008-09.[60]

54 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, pp.47-48
55 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates – Part Three*, September 2008, p.34
56 Public Accounts and Estimates Committee, *New Directions in Accountability*, June 2009, p.30
57 Public Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates – Part Three*, September 2008, pp.34-37
58 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates – Part Three*, September 2008, pp.36-8
59 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.368
60 ibid.

In aggregate, the Government's efficiency targets allocated to departments for achievement over the six year period 2007-08 to 2012-13 amount to in excess of $1.8 billion. Of this amount, a target of $388 million has been earmarked for achievement in the 2009-10 financial year. Table 2.5 summarises the individual efficiency strategies and shows their 2009-10 component.

Table 2.5: Output efficiency targets, including 2009-10 component, assigned to departments in the 2007-08, 2008-09 and 2009-10 Budgets

Efficiency strategy	Aggregate target ($million)	2009-10 component ($million)
2007-08 Budget		
Efficient Government Policy - four years to 2010-11	447.0	125.0
Other efficiencies - four years to 2010-11	185.0	51.5
2008-09 Budget		
General efficiencies in administration – four years to 2011-12	500.0	125.0
2009-10 Budget		
General efficiencies – four years to 2012-13	665.0	86.5
Drought savings – 2008-09 only	50.0	n/a
Total	**1,847.0**	**388.0**

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

The Committee's analysis of the above information shows that $314 million, or 47.2 per cent of the aggregate savings target of $665 million introduced in 2009-10, has been allocated between the Departments of Education and Early Childhood Development and Human Services. The balance is spread across the other eight departments with similar targets allocated to particular groups of departments.

The presentation of information in the 2009-10 Budget on planned output efficiencies has, similar to previous years, scope for improvement in that the Budget Papers:

- do not identify the nature and composition of the 'general efficiencies' of $665 million expected to be achieved by departments over the four year period to 2012-13;
- set out, without totals, each department's expected contribution to savings targets in each year as a deduction from the aggregate value of its new output funding initiatives which requires readers to collate each department's expected aggregate savings over the four year period to 2012-13; and
- indicate that the allocation of savings across at least eight of the ten departments continues to be on a proportionate basis which looks to reflect their size and not necessarily their underlying organisational circumstances and potential to generate savings.

In its previous budget estimates reports, the Committee has advocated a more structured approach to the presentation of planned efficiencies in the annual Budget Papers, including more definitive information on the nature of expected savings and the basis adopted for their allocation across departments. These comments remain relevant.

More detailed commentary on the Government's targeted output efficiencies and their disclosure in the Budget Papers is given in Chapter 16.

2.10 Revenue foregone measures

Each year, the Government presents commentary in the Budget Papers on the expected financial impact of revenue foregone measures such as tax relief and concessions granted to certain taxpayers.

2.10.1 Tax relief decisions

Tax relief decisions announced in the 2009-10 Budget relate principally to actions taken by the Government as an immediate response to the February 2009 bushfires. The Budget Papers state that:[61]

> *As an immediate response to the February 2009 bushfires, the Government waived land tax in a one-off measure on properties destroyed or damaged by the fires. Stamp duty relief was also available for the replacement of family homes or vehicles lost in the fires. For businesses affected by the bushfires, payroll tax assessments for late lodgement and payments due in January 2009 were deferred.*

The above tax relief measures were initially announced by the Treasurer in media releases issued on 19 February 2009. The Treasurer did not identify at the time the estimated cost to revenue of the relief decisions and the 2009-10 Budget Papers do not disclose such information.

In addition to the above bushfire-related relief measures, the Government announced in the 2009-10 Budget it had made provision for the extension of a first home buyers assistance package.[62] The Budget's listing of new output funding initiatives applicable to the Department of Treasury and Finance includes 'Extension of the *First Home Bonus*' but identifies that the cost of the initiative was 'TBD'. [63] In a media release of 21 May 2009, the Treasurer said the Government *'would invest $125 million to extend the scheme* [the First Home Owner Scheme] *for an additional year which was funded from the 2009 State Budget.'* [64]

2.10.2 Tax expenditures and concessions

Consistent with the practice of previous years, a whole chapter in the Budget Papers is devoted to estimates of aggregate tax expenditures and concessions arising from revenue decisions.[65]

Tax expenditures

The Budget Papers define tax expenditures as tax concessions granted to certain taxpayers, activities or assets, which are a deviation from the normal taxation treatment. They include tax free thresholds and can also take the form of exempting or applying a lower rate, deductions or rebate of a tax for a certain class of taxpayer, activity or asset.[66] The Budget Papers state that aggregate tax expenditures, excluding the impact of tax free thresholds, are projected to total $2.9 billion in 2009-10, while tax expenditures that can be costed, including the impact of tax free

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61 Department of Treasury and Finance, Building Jobs: Building Victoria, *Victorian Budget 2009-10 Overview, May 2009,* p.14

62 ibid.

63 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.366

64 Mr J Lenders MLC, Treasurer, media release, *Victoria hits biggest first home boom for seven years*, 21 May 2009

65 Department of Treasury and Finance, Budget Paper No. 4, *2009-10 Statement of Finances,* May 2009, pp.223-9

66 ibid., p.223

thresholds, are estimated to total $4.9 billion.[67] The equivalent estimates in the 2008-09 Budget were slightly lower at $2.7 billion and $4.6 billion respectively.

Consistent with the practice of previous years, the Budget Papers provide a detailed listing of the estimated value over the four year period to 2012-13 of individual tax expenditures that can be costed. The estimates include the impact of tax free thresholds. Table 2.6 summarises the tax expenditure estimates for the categories identified in the Budget Papers.

Table 2.6: Estimates (including the impact of tax free thresholds) of tax expenditures that can be costed

Tax exemptions	2009-10 Estimate ($ million)	2010-11 Estimate ($ million)	2011-12 Estimate ($ million)	2012-13 Estimate ($ million)
Land tax	1,788	1,744	1,701	1,834
Payroll tax	2,718	2,757	2,815	2,872
Congestion levy tax	33	34	35	36
Gambling tax	77	80	83	87
Motor vehicle	82	85	88	92
Stamp duties [(a)]	195	220	216	218
Total	**4,894**	**4,920**	**4,939**	**5,139**

Note: (a) Principally stamp duty on land transfer.

Source: Department of Treasury and Finance, Budget Paper No.4, 2009-10 Statement of Finances, May 2009,pp.224-5

The two largest tax expenditure items are payroll tax exemptions for employers' payroll below $550,000 which are costed at $1.9 billion for 2009-10 and land tax exemptions for a principal place of residence costed at $771 million for 2009-10.

Concessions

The Budget Papers also provide a description of 'concessions' which are defined as a direct budget outlay or reduction in government charges that have the effect of reducing the price of a good or service for particular groups. Certain characteristics of the consumer, such as possession of a Commonwealth pension card or a health care card, are the basis for entitlement.[68]

The estimated value of major concessions in 2009-10 is $1.26 billion. Table 2.7 shows the breakdown of this estimate according to type of concession identified in the Budget Papers.

67 ibid., pp.223-5
68 ibid., p.227

Table 2.7: Total estimated value of concessions by category

Type of concession	2008-09 Estimate	2009-10 Estimate
	($ million)	($ million)
Energy, municipal rates, water and sewerage	295	319
Education	71	76
Health	529	558
Hardship assistance	42	44
Transport	256	266
Total	**1,192**	**1,262**

Source: Department of Treasury and Finance, Budget Paper No.4, 2009-10 Statement of Finances, May 2009, p.228

The Budget Papers indicate that the energy, municipal rates, water and sewerage category consists of concessions for electricity and gas usage, municipal rates, water and sewerage charges and other small concessions related to energy usage. The 2009-10 Budget provides funding for an increase in the water and sewerage concession cap from $187.90 in 2008-09 to $216.60 in 2009-10 to assist low income households with water price increases expected to operate from 1 July 2009.

Additional funding under this concession category for 2009-10 has also been directed to the *Water Wise Program* which assists low income households to reduce their water usage by providing water audits and retrofitting of efficient water aids and appliances.

The reference in the Budget Papers to the relevant new output funding initiative for the Department of Human Services, Increase in the Water and Sewerage Concession Cap, identifies an expected cost in 2009-10 of $ 12.5 million and a further cost of $31.9 million over the forward estimates period to 2012-13.[69]

No explanation is given in the Budget Papers for the expected increase of $29 million in 2009-10 in the value of health concessions which is the largest category. It includes free emergency ambulance transport for concession holders, as well as school, community and dental services and optical concessions. The category also includes community health programs.[70]

69 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, pp.314, 316

70 Department of Treasury and Finance, Budget Paper No. 4, *2009-10 Statement of Finances*, May 2009, p.229

CHAPTER 3: MANAGEMENT AND ACCOUNTABILITY FOR COMMONWEALTH GRANTS AND FUNDS

Key findings of the Committee:

3.1 **The 2009-10 Budget Papers indicate that, based on information available as at 29 April 2009, Commonwealth grants to Victoria, other than GST grants, in 2009-10 are expected to total $11.9 billion, which is $2.8 billion or 30.3 per cent higher than 2008-09.**

3.2 **Because of the global financial crisis, the government revised downwards by $5.7 billion its GST grant estimates over the four year period 2008-09 to 2011-12. The reduction in estimates comprises $933 million in 2008-09 and an average of $1.6 billion a year between 2009-10 and 2011-12.**

3.3 **Funding to Victoria in 2009-10 under the Commonwealth's Nation Building - Economic Stimulus Plan is expected to exceed $3 billion and is the major source of additional Commonwealth grants to the state compared with 2008-09.**

3.4 **National Agreements associated with five new broadbanded categories of Special Purpose Payments to the states and National Partnerships with the states created to deliver nationally significant reforms are key elements of the Commonwealth's new financial relations framework.**

3.5 **The Commonwealth has established a reporting mechanism which emphasises outcomes-based public accountability for federally funded projects and programs delivered by the State.**

3.6 **There could be benefit for the government using the Commonwealth's reforms as the catalyst for introducing a state-wide management and reporting framework for its own programs and services, built on an outcomes-based public accountability foundation. Common outcomes-based performance reporting principles could then be used to meet both Commonwealth and state accountability obligations.**

3.7 **The government should consider presenting an annual consolidated report to Parliament identifying Victoria's performance against objectives, outcomes, output targets and milestones formulated under the Commonwealth's funding framework.**

3.1 Introduction

The 2009-10 Budget introduced a new theme, *Partnering with the Commonwealth*, in recognition of the partnership formed with the Commonwealth Government to stimulate the economy, fast track investment in public infrastructure and secure jobs. Commonwealth funding to the State under this partnership covers a wide range of areas, and extends beyond 2009-10. It represents a significant funding boost when added to more traditional Commonwealth grants including Goods and Services Tax (GST) income.

The 2009-10 Budget Papers include references in several places to the nature and estimated level of Commonwealth funding earmarked for Victoria. The main point of reference to the quantification of expected Commonwealth funding is given in the section dealing with the analysis of State Revenue.[71] That section includes a table which indicates that Commonwealth grants, other than GST grants, are estimated to total at least $11.9 billion in 2009-10, which constitutes an increase of around $2.8 billion when compared with the latest estimate of equivalent grants for 2008-09.

The Budget Papers describe some of the features of the new Commonwealth/State funding arrangements which mainly fall into three categories, namely:[72]

- funding under the Commonwealth's *Nation Building – Economic Stimulus Plan* for timely economic stimulus aimed at improved nation building and supporting economic growth and jobs;
- funding under National Agreements associated with five new broadbanded specific purpose payments (SPPs) pertaining to health, schools, skills and workplace development, affordable housing and disabilities, following a rationalisation of the number of SPPs; and
- a new stream of funding under reform-oriented National Partnerships to drive national economic and social reforms.

According to the Budget Papers, projections of Commonwealth funding represent estimates based on information available as at 29 April 2009.[73] The estimates therefore do not reflect final funding decisions announced by the Commonwealth Government in its 2009-10 Budget.

The Budget Papers also state the Government is engaging with the Commonwealth in seeking access to the Building Australia, Health and Hospitals and Education Investment Funds as a means of complementing its own record infrastructure investment.[74] The Treasurer made some references to potential future funding from these three sources in his budget speech, including that:[75]

- the budget makes provision for further funding of hospitals, '*which will follow the announcement of the Commonwealth's Health and Hospitals Fund later in the yea*r'; and
- the government is seeking support from the Commonwealth's Building Australia Fund '*to deliver some major rail projects over the coming years.*'

During the Budget Estimates Hearing, the Minister for Public Transport advised the Committee that the Commonwealth Government announced in its 2009-10 Budget a contribution of $3.225 billion for the Regional Rail Link project. The Minister stated the project will build up to 50 kilometres of stand-alone rail tracks from West Werribee to Melbourne's Southern Cross Station, and will separate regional and suburban trains across the west. It is the first major investment for Victoria under the Building Australia Fund.[76]

This chapter focuses on estimates of Commonwealth grants announced in the 2009-10 Budget. It addresses the management and accountability implications to Victoria arising from the major reforms that have occurred in the financial relationship between the Commonwealth and the states.

71 Department of Treasury and Finance, Budget Paper No. 4, *2009-10 Statement of Finances*, May 2009, pp.206-21
72 ibid., pp.208-9 and Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.80
73 ibid., p.211
74 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.13
75 Department of Treasury and Finance, Budget Paper No. 1, *2009-10 Treasurer's Speech*, p.9
76 Ms L Kosky, Minister for Public Transport, Letter to Committee dated 28 June 2009, p.1

The information presented in this chapter complements that contained in Chapter 5, which analyses in more detail the states' accountability framework endorsed by the Council of Australian Governments (COAG), and chapter 6, which identifies all of the revenue initiatives, including Commonwealth grants, outlined in the 2009-10 Budget.

3.2 Goods and Services Taxation (GST) grants

GST grants are general purpose grants received annually from the Commonwealth. The Budget Papers point out that the states and territories receive all GST revenue in accordance with the Intergovernmental Agreement on Federal Financial Relations.[77]

The Budget Papers indicate that GST grant distributions between the states and territories are determined by the GST relativities that are recommended by the Commonwealth Grants Commission to the Commonwealth Government.[78] The Commonwealth Grants Commission updates its relativities annually to reflect movements in state circumstances, while the methodologies underpinning annual updates are subject to detailed review by the Commission approximately every five years. A review is currently underway to determine the methodology to apply from 2010-11 and is expected to be completed by February 2010.[79]

In its 2009-10 Budget Papers, the government has estimated that Victoria's GST grant revenue in 2009-10 will total $9.4 billion, which is $67 million or 0.7 per cent higher than the 2008-09 revised estimate. It attributes this increase, against the background of a decline of around 0.1 per cent in the estimated total GST pool, to an improvement in Victoria's relativity which mainly reflects the increased relative capacity of other states, particularly Western Australia and Queensland, to raise revenue from mining and stamp duty on land transfers.[80]

Since its 2008-09 Budget, the government has revised downwards by $5.7 billion its GST grant estimates over the four year period 2008-09 to 2011-12. The reduction in estimates comprises $933 million in 2008-09 and an average of $1.6 billion a year between 2009-10 and 2011-12.[81] The Budget Papers indicate that the global financial crisis has had a significant impact on Victoria's budget which has led to the considerably weaker forecast revenues from GST.[82]

3.3 Analysis of estimates of Commonwealth funding (other than GST grants) to Victoria announced in the 2009-10 Budget

As mentioned in the above introductory paragraph, the Budget Papers identify that Commonwealth grants other than GST grants (Other Commonwealth grants) are expected to total at least $11.9 billion in 2009-10. Table 3.1 dissects this total according to the main revenue streams and compares the 2009-10 estimates with the latest revised equivalents for 2008-09.

77 Department of Treasury and Finance, Budget Paper No. 4, *2009-10 Statement of Finances,* May 2009, p.207
78 ibid.,
79 ibid., p.207-8
80 ibid., p.208
81 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.40 and Budget Paper No. 4, *2009-10 Statement of Finances,* p.316
82 Department of Treasury and Finance, Victorian Budget, *2009-10 Overview*, Building Jobs: Building Victoria, May 2009, p.14

Table 3.1: Estimates of Other Commonwealth grants announced in 2009-10 Budget

Revenue stream	2008-09 Revised ($ million)	2009-10 Budget ($ million)	Change (%)
Nation Building – Economic Stimulus Plan	320.5	3,059.5	854.6
National Agreements (5 agreements)	4,005.8	4,270.6	6.6
National Partnerships ((25 partnerships)	1,562.4	1,193.4	−23.6
Assistance to Non-Government Schools	1,690.8	1,792.5	6.0
Commonwealth Own Purpose Expenses	513.3	486.7	−5.2
Commonwealth grants to Local Government	444.2	446.0	0.4
Australian Synchrotron	10.0	10.0	0
All other specific purpose payments and grants	612.1	678.6	10.8
Total	**9,159.1**	**11,937.3**	**30.3**

Note: *The Budget Papers state the estimates for 2009-10 are based on information available as at 29 April 2009. The papers indicate that funding in some cases is based on an estimate of the possible Victorian share of Commonwealth funding and, as such, the actual share may vary and is yet to be determined.*

Source: *Budget Paper No. 4, 2009-10 Statement of Finances, pp.209-11*

3.3.1 Funding to Victoria under Nation Building – Economic Stimulus Plan

It can be seen from Table 3.1 that funding earmarked for Victoria under the Commonwealth's *Nation Building – Economic Stimulus Plan* represents by far the major source of additional grants in 2009-10. The Budget Papers indicate that the majority of the projected increase of $2.739 billion in 2009-10 under the Plan relates to six funding streams forming part of the *Building the Education Revolution* initiative, $1.7 billion, and to the Social Housing initiative, $945.1 million. Table 3.2 shows the estimated funding for each of the Plan's revenue streams identified in the Budget Papers.

Table 3.2: Estimates of funding to Victoria under the Commonwealth's Nation Building – Economic Stimulus Plan

Revenue stream under Plan	2008-09 Revised ($ million)	2009-10 Budget ($ million)	Change (%)
Building the Education Revolution			
National Schools Pride Program	62.8	146.6	133.4
Primary Schools for the 21st Century	97.6	1,074.3	1,000.7
Science and Language Centres	-	140.6	-
National Schools pride program: Non-government schools	28.4	66.2	133.3
Primary Schools for the 21st Century: Non-government schools	46.2	508.6	1,000.8
Science and Language Centres: Non-government schools	-	59.4	-
Total	**235.0**	**1,995.7**	**749.2**
Social Housing	**64.4**	**1,009.5**	**1,467.5**
Black Spot Program / Boom Gates	**21.1**	**54.3**	**157.3**
Aggregate Plan funding	**320.5**	**3,059.5**	**854.6**

Source: Budget Paper No. 4, 2009-10 Statement of Finances, pp.209-11

As mentioned in an earlier paragraph, the *Nation Building – Economic Stimulus Plan* aims to provide timely economic stimulus through improved nation building and supporting economic growth and jobs. The Budget Papers include a useful description of the nature and purpose of funding under each of the Plan's revenue streams. For example, the Budget Papers provide the following descriptions for the two largest funding items in 2009-10: [83]

Primary Schools for the 21st Century – managed within Education portfolio

> *The funding will enable the building of major new infrastructure for government and non-government primary schools and special schools, including for new facilities such as libraries, multipurpose halls, classrooms or the upgrade of existing facilities.*

Social Housing – managed within Housing portfolio

> *…The once-off injection of funding will enable construction of around 5000 new dwellings in Victoria and the refurbishment of existing stock that would otherwise be unavailable for occupancy. The majority of new housing provided … will be completed by the end of 2010.*

The Budget Papers state that funding to Victoria under the *Nation Building – Economic Stimulus Plan* is estimated to total around $5 billion over the three year period 2009-10 to 2011-12.[84] Based on this estimate, additional funding under the Plan of around $2 billion is earmarked for Victoria over the next two financial years.

83 Department of Treasury and Finance, Budget Paper No. 4, *2009-10 Statement of Finances,* May 2009, pp.212, 216

84 ibid., pp.208-9

3.3.2 Funding to Victoria under National Agreements and National Partnerships

The Budget Papers also outline the nature of these further two new elements of Commonwealth funding to Victoria: [85]

- ***National Agreements*** – five new broadbanded categories of SPPs, health, schools, skills and workforce, affordable housing and disabilities, were created following a major rationalisation of the number of SPPs to the states. Each SPP is now associated with a National Agreement that contains objectives, outcomes, outputs and performance indicators. The Agreements clarify the roles and responsibilities that will guide the Commonwealth and the states in the delivery of services across relevant sectors.
- ***National Partnerships*** – this form of funding has been created for specific projects and to facilitate and/or reward states that deliver nationally significant reforms. The tabular data on funding estimates included in the Budget Papers, which is summarised in Table 3.2 above, lists 25 National Partnerships under departmental headings with all ten departments assigned responsibility for service delivery under at least one Partnership. Of the 25, nine fall within the responsibility of the Department of Education and Early Childhood Development and six are administered by the Department of Human Services.

In terms of forward estimates, the Budget Papers estimate that funding totalling approximately $1.7 billion will be provided to Victoria over five years under National Agreements for the five new categories of SPPs.

The Budget Papers do not quantify forward estimates of funding under the National Partnerships. The Committee's perusal of the Commonwealth Government's 2009-10 Budget Papers showed that, for many Partnerships, funding to Victoria will continue over the four year period to 2012-13.[86] Examples of references to likely forward funding in the State budget and the related estimates in the Commonwealth's budget are:[87]

- ***The Early Childhood Education Partnership –*** the State Budget indicates *'Funding is provided to assist Victoria to work towards the Council of Australian Governments' target of access to 15 hours of early childhood education per week for all children in the year before school by 2013.'* The Commonwealth budget identifies that funding totalling $213.8 million is earmarked for Victoria over the four year period 2009-10 to 2012-13.

- ***The Preventive Health Partnership*** – the State Budget says this Partnership *'provides funding to tackle preventive health issues … will lead to reductions in the proportion of people who smoke, are at an unhealthy bodyweight and/or do not meet national guidelines for physical activity and healthy eating. Funding in 2009-10 precedes significant investment from 2011-12.'* The Commonwealth budget earmarks funding totalling $54.1 million to Victoria over the four years to 2012-13.

- ***The Homelessness Partnership*** which, as mentioned in the State Budget, *' commits the Commonwealth and States to work together towards the objectives of achieving a 50 per cent reduction in homelessness, and an end to primary homelessness, by 2020.'* Total funding of $100.8 million is scheduled to be provided to Victoria in the Commonwealth budget over the period to 2012-13.

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85 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.80 and Budget Paper No. 4, *2009-10 Statement of Finances*, pp.208-11

86 Budget Paper No. 3, *Australia's Federal Relations 2009-10*, May 2009, p.29

87 Department of Treasury and Finance, Budget Paper No. 4, *2009-10 Statement of Finances*, pp.212, 215 and 217

The Commonwealth 2009-10 Budget Papers also list for particular National Partnerships the expected contributions from Victoria over the period to 2012-13.

The Committee notes with interest the reference in the Commonwealth Budget that payments made to the states under the National Partnerships include a reward component. The relevant budget paper indicates that incentive payments *'can be used to reward those States that deliver reform progress or continuous improvement in service delivery.'*[88]

3.4 Accountability regime within new federal financial relations framework

The Budget Papers include references to the new *Framework for Federal Financial Relations*, agreed by COAG, which came into effect on 1 January 2009.[89] The new arrangements are described as focusing on removing prescriptions imposed by the Commonwealth on service delivery by the states, *'while moving to clearer roles and responsibilities and outcomes-based public accountability.'* [90]

The Government has included in the Budget Papers the following high-level description of the accountability regime established under the new federal financial framework:[91]

> *The new Federal Financial Framework provides a clearer specification of roles and responsibilities of each level of government and an improved focus on public accountability for better outcomes and better service delivery. The accountability of governments will be enhanced through simpler, standardised and more transparent public performance reporting for all jurisdictions. The independent COAG Reform Council (CRC) will provide annual reports to COAG containing the performance data to assist the public in assessing governments' progress against agreed objectives, outcomes and outputs.*

In Chapter 5 of this report, the Committee analyses in some detail the various reform actions taken by COAG including its strengthening of accountability arrangements associated with the provision of Commonwealth funding to the states. The chapter includes commentary on the stringent nature of these accountability arrangements which will underpin periodic monitoring of the performance of the states under the National Agreements and National Partnerships. It describes the important role of the COAG Reform Council and the periodic involvement of the Productivity Commission in this monitoring process. It also refers to COAG's overseeing of construction activity across the infrastructure elements of the *Nation Building – Economic Stimulus Plan*.

In addition, as part of its commentary in Chapter 5, the Committee addresses potential ramifications of the Commonwealth developments to Victoria in terms of the Government's presentation of performance measures and targets in the annual Budget Papers and of the role, if any, of the Auditor-General in the ongoing evaluation of the State's performance in managing Commonwealth funds.

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88 Commonwealth Government 2009-10, Budget Paper No. 3, *Australia's Federal Relations 2009-10*, May 2009, p.26

89 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, pp.80-1 and Budget Paper No. 4, *2009-10 Statement of Finances*, May 2009, pp.206-21

90 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.206

91 ibid., p.80

3.4.1 Management and accountability implications to Victoria

Under this heading, the Committee assesses some further implications to Victoria of the new framework. These implications relate to the benefits of having in place one management and accountability framework governing all programs and services delivered by the state, irrespective of whether funding is solely provided by the Commonwealth, or by the State or is a mix of Commonwealth and State funding.

The focus of the new funding and accountability arrangements on effectiveness of service delivery and outcomes-based public accountability is welcomed by the Committee. The principles underpinning the new direction are consistent with those that have been espoused by the Committee in its recent reports on the budget estimates and on the State's financial and performance outcomes.

In the departmental sector, the Committee's past comments have recognised improvements made by the Government under its visionary document, *Growing Victoria Together*, to the linking of departmental outputs to government outcomes. The Committee has advocated that the Government expand this process to provide more performance material on the expected and actual contributions made by departmental outputs to meeting objectives and contributing to key government outcomes. The Government's responses to the Committee's reports have been supportive and have indicated a willingness, in consultation with departments, to further develop and improve Victoria's outcomes reporting framework.[92]

In addition, the government's October 2008 discussion paper on *Public Finance in Victoria*, which forms part of its review of the *Financial Management Act 1994*, includes a chapter which canvasses the merits of a more outcomes-focused approach to public sector financial management in Victoria.[93]

The Committee has more recently evaluated Victoria's performance management and reporting framework during its inquiry into the State's public finance practices and legislation. The Committee reported to Parliament on the results of the Inquiry in June 2009 and included recommendations in its report for the inclusion of outcomes in annual performance reports of all public sector entities.[94]

The Auditor-General has also advocated in several reports over the years to Parliament an outcomes-based framework for performance reporting in Victoria.[95] These reports have included an assessment of the government's progress in developing its *Performance Management and Reporting Framework* following the release of *Growing Victoria Together*. They also identify key areas for improvement in public sector performance reporting including the need for agencies to extend reporting beyond outputs to answer the question *'have objectives been met?'* [96]

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92 SPublic Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates – Part Three*, September 2007, pp.119-120, and Victorian Government, *Response to the 2007-08 Budget Estimates – Part Three*, March 2008, p.21

93 Department of Treasury and Finance, *public finance in Victoria: Practices and Legislation*, discussion paper, October 2008

94 Public Accounts and Estimates Committee, *New Directions in Accountability: Inquiry into Victoria's Public Finance Practices and Legislation*, June 2009, p.73

95 Victorian Auditor-General's Office, *Departmental performance management and reporting*, November 2001, *Performance management and reporting: Progress report and a case study*, April 2003, *Parliamentary Appropriations: Output Measures*, November 2007 and *Performance Reporting in Local Government*, June 2008

96 Victorian Auditor-General's Office, *Submission on the Inquiry into Victoria's public finance practices and legislation*, August 2008, p.8

The Committee considers the accountability developments under the Commonwealth's funding framework complement its own findings on performance reporting and those of other parties, as summarised above, communicated to Parliament in recent years. With all states progressing during 2009 through a period of transition and working with the COAG Reform Council on methodologies and approaches, the Committee views the current position in Victoria as ideal for the establishment of a common performance management and reporting framework covering both budget-funded and other public sector agencies.

Factors pointing to the benefit of uniform principles underpinning performance management and reporting across public sector agencies in Victoria include:

- the information needs of both the Commonwealth and Victorian Parliaments relating to outcomes-based public accountability and strong transparency in reporting would be identical, irrespective of the source of funding;
- the likelihood of compatibility of objectives and outcomes developed under the Commonwealth's funding models with those formulated by the State for delivery of its own programs and services;
- clearer management and reporting of outputs and outcomes in areas involving a combination of Commonwealth and State funding – examples include combined funding under various National Partnerships, funding under the Commonwealth's *Building the Education Revolution* which for government schools, as indicated in the Budget Papers, will be used collaboratively with the State's *Victorian Schools Plan*,[97] and the commingling of funding from both governments for particular Victorian Transport Plan initiatives; and
- avoidance of the need for agencies to implement separate management information systems and performance reporting practices based on funding sources – the fragmenting of management and reporting practices would be confusing to Parliament and other users of reported information and an inefficient use of scarce resources within agencies.

The Committee recognises that the central agencies would currently be occupied with the demands of the transition period established by the COAG Reform Council for the development of suitable methodologies and processes to apply to the Commonwealth's new funding framework. The Committee is hopeful that, as part of the transition tasks, the government is also considering the feasibility of using the reforms as the catalyst for introducing a state-wide management and reporting framework built on an outcomes-based public accountability foundation. Such a framework would extend the existing emphasis within reporting requirements for budget-funded agencies on performance against outputs to encompass the degree of alignment between output performance and attainment of outcomes and objectives. Common outcomes-based performance reporting principles could then be applied to all public sector agencies to meet both Commonwealth and State accountability obligations.

The Committee also recognises that the Government's current deliberations in this area may well include consideration of the nature and form of its future reporting to the Victorian Parliament, as well as to the relevant Commonwealth bodies, on its performance in the management of Commonwealth funds.

The following recommendations of the Committee therefore reflect its awareness that the Government may be contemplating changes to its own operations that extend beyond the boundaries of the Commonwealth's reform actions. The recommendations are therefore designed to encourage and add momentum to the government's evaluative work in this area.

97 Department of Treasury and Finance, Budget Paper No. 4, *2009-10 Statement of Finances,* May 2009, p.212

Recommendation 1:	**The Government draw on its transitional work underway in preparing for the accountability obligations under the Commonwealth's new funding framework to formulate a state-wide outcomes-based performance management and reporting system.**
Recommendation 2:	**Performance reporting to the Victorian Parliament by all public sector agencies for both State and Commonwealth funded programs and services be based on uniform outcomes-focussed reporting principles.**
Recommendation 3:	**The Government present to Parliament an annual consolidated report identifying Victoria's performance against objectives, outcomes, output targets and milestones established under the Commonwealth's federal financial framework.**

CHAPTER 4: GENERAL GOVERNMENT SECTOR ASSET INVESTMENT

Key findings of the Committee:

4.1 **The 2009-10 Budget provides $20 billion for General Government Sector investment in fixed assets over the next four years, with $7 billion budgeted for 2009-10 – a significant increase compared to previous years. Capital expenditure is expected to return to around 1 per cent of GSP towards the end of the forward estimates period.**

4.2 **The infrastructure investment program is funded through a combination of the cash operating surplus (51 per cent) and borrowings (49 per cent). Supporting the cash operating surplus is funding from the Commonwealth Government (see Chapter 3).**

4.3 **The 2009-10 Budget provides funding for $9.4 billion (total estimated investment) worth of new asset investment projects, of which $3.1 billion is budgeted to be spent in 2009-10.**

4.4 **Ninety-four per cent of the funding for new asset investment projects was provided to three departments (the Department of Education and Early Childhood Development, the Department of Human Services and the Department of Transport).**

4.5 **Given the increased funding for infrastructure projects, the Committee emphasises the need for ensuring that this funding is spent appropriately and for meaningful reporting on the progress and outcomes of asset investment projects.**

4.1 Introduction

The budget deals with the General Government Sector and hence this chapter covers asset investment in that sector (covering departments and their constituent entities. Other agencies outside the General Government Sector (eg. public non-financial corporations and public financial corporations) report asset investment separately.

4.2 Trend analysis of net investment in fixed assets as a percentage of Gross State Product

Between 2000-01 and 2005-06 the total net investment in fixed assets in the General Government Sector grew in absolute terms, while being a relatively stable proportion of the Gross State Product (GSP). Since 2006-07, the amount of investment has increased significantly with each budget, both in absolute terms and as a proportion of GSP. A particularly large increase has occurred with the 2009-10 Budget (see Table 4.1).

The investment for 2009-10 is estimated at just under $7 billion (2.7 per cent of GSP). This is an almost 60 per cent increase on the 2008-09 budget and almost four times the investment in 2000-01. The substantial rise in the proportion of the GSP represented by net investment in assets in 2009-10 is a result of both the increased amount budgeted for asset investment and limited growth in the estimated GSP.

After the exceptional rise in the 2009-10 Budget, the Treasurer has indicated the Government's intention to return its capital expenditure to around 1 per cent of the GSP towards the end of the forward estimates period (2012-13).[98]

[98] Department of Treasury and Finance, Budget Paper No.1, *2009-10 Treasurer's Speech*, May 2009, p.6

Table 4.1: Net investment on fixed assets as a percentage of Gross State Product

	2000-01 ($ million)	2001-02 ($ million)	2002-03 ($ million)	2003-04 ($ million)	2004-05 ($ million)	2005-06 ($ million)	2006-07 ($ million)	2007-08 ($ million)	2008-09 ($ million)	2009-10 ($ million)
Total net investment in fixed assets (actual)[(a)]	1,796.6	2,087.2	2,109.6	2,378.4	2,373.3	2,691.5	3,281.5	3,926.9	4,352.6	6,960.6
Gross State Product[(b)]	164,365	179,369	187,013	201,133	217,047	228,198	242,595	255,705	256,984	257,626
Total net investment in fixed assets as a percentage of Gross State Product	1.1	1.2	1.1	1.2	1.1	1.2	1.4	1.5	1.7	2.7

Notes: *(a) the total net investment in fixed assets for the period 2000-01 to 2007-08 is derived from the Annual Financial Reports for the State of Victoria. The 2008-09 and 2009-10 figures are derived from the revised and budget estimate figures shown in Budget Paper No. 2, 2009-10 Strategy and Outlook, p.49*

(b) Gross State Product (GSP) is the total market value of goods and services produced in a state or territory within a given period, after deducting the cost of goods and services used up in the process of production, but before deducting allowances for the consumption of fixed capital. Typically, when calculating GSP, the Australian Bureau of Statistics adjusts historical GSP to reflect current prices. To ensure a valid comparison with the total net investment in fixed assets figures, the Committee has used the unadjusted GSP figures published in the 'Australian National Accounts State Accounts 5220.0' for each year for the period 2000-01 to 2007-08. The GSP figures for 2008-09 and 2009-10 have been calculated by the Committee using the forecast increases identified in Budget Paper No. 2, 2009-10 Strategy and Outlook, p.21

Sources: *Australian Bureau of Statistics, Australian National Accounts State Accounts 5220.0 1999-00 to 2007-08*

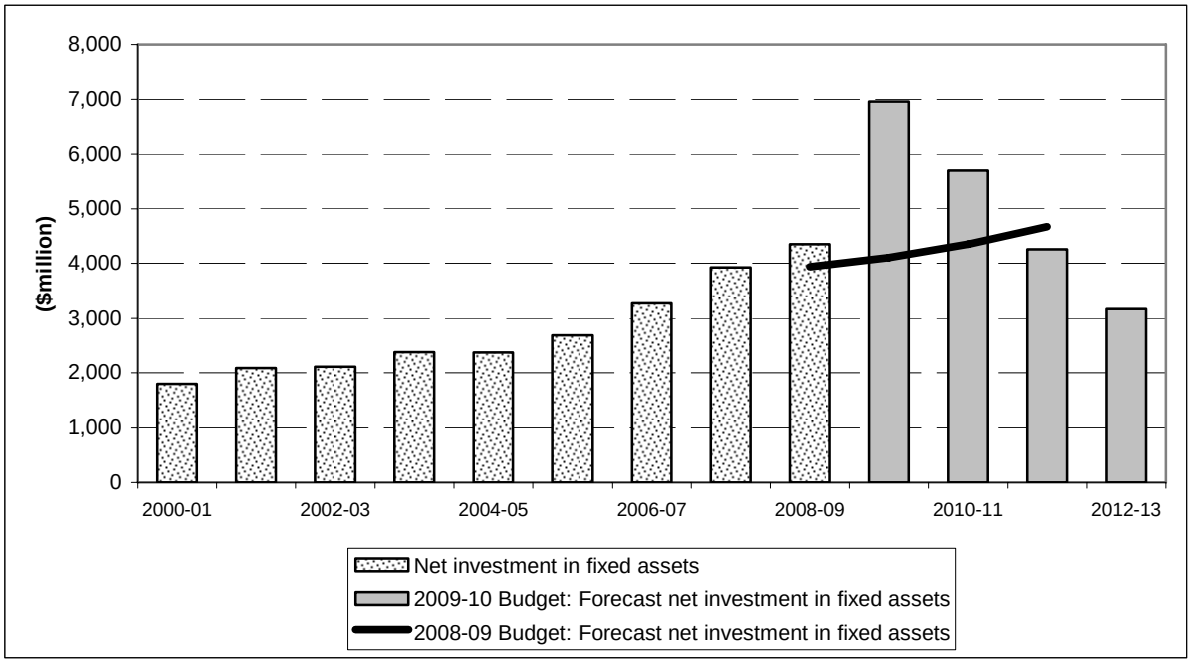
Department of Treasury and Finance, 2000-01 to 2007-08 Financial Reports for the State of Victoria

Department of Treasury and Finance, Budget Paper No. 2, 2009-10 Strategy and Outlook

4.3 Asset investment provisions within the 2009-10 Budget Estimates

The global financial crisis has led the Government to accelerate its infrastructure program and to work with the Commonwealth Government to fast-track infrastructure investment from the Commonwealth Government's programs.[99] As a result, the 2009-10 Budget provides for a total net investment in fixed assets in excess of $20 billion over the next four years, starting with almost $7 billion for 2009-10.[100] The net asset investment is not planned to continue to the same degree over the remaining three years of the estimates period (see Figure 4.1), and will reduce as it is expected that the economy will start recovering.

Figure 4.1:Government sector asset investment program 2001-01 to 2012-13



Sources: *Department of Treasury and Finance, 2000-01 to 2007-08 Annual Financial Reports for the State of Victoria, Department of Treasury and Finance, Budget Paper No. 2, 2008-09 Strategy and Outlook, p.49, and Department of Treasury and Finance, Budget Paper No. 2, 2009-10 Strategy and Outlook, p.49*

In addition to the global financial crisis, the bushfires in February 2009 also required the Government to modify its budget from what had been anticipated. Nearly $1 billion (including Commonwealth funding) is to be spent on dealing with and recovering from the bushfires. However, much of this was spent in 2008-09 and the vast majority of it on outputs rather than asset investment. $41.4 million is to be spent on asset initiatives as part of the bushfire response and recovery program in 2009-10.[101]

The total investment in infrastructure forecast in the 2009-10 Budget is expected to significantly exceed depreciation and amortisation, resulting in a growth in the General Government Sector's real capital stock of 9 per cent between 2009-10 and 2012-13.[102]

99 ibid., and p.5, Mr J Lenders MLC, Treasurer, 2009-10 Budget Estimates hearing, transcript of evidence, 12 May 2009, p.21

100 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, pp.49–50

101 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, pp.284-5, 304-5

102 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.10

The Government has indicated that 51 per cent of the funding for this program over the next four years is expected to come from cash operating surpluses and 49 per cent to come from increased borrowing.[103]

4.3.1 Operating surplus

In the 2008-09 Budget, prior to the main effects of the global financial crisis, the Government estimated an operating surplus of $851.1 million for 2009-10 and an average of $906.6 million per year for the period from 2009-10 to 2011-12.[104] In that budget, the government reassessed its target for the operating surplus from at least $100 million per year to at least 1 per cent of revenue per year.[105]

In the 2009-10 Budget, however, the estimated operating surplus was revised from $851.1 million to $165.1 million for 2009-10, and to $195.3 million and $290.3 million for the following years (growing to $562.1 million in 2012-13).[106] This is a result of reduced revenue from taxation (due to the global financial crisis and consequent economic downturn), combined with various policy measures taken by the government, including recovery from the 2009 bushfires.[107] As a result, the Government has revised its target operating surplus back to at least $100 million per year but intends to return to the 1 per cent of revenue target in the future.[108]

4.3.2 Commonwealth Government funding

Supporting this operating surplus and offsetting the revenue lost from taxation is a significant amount of funding from the Commonwealth Government. This includes considerable funding for schools, social housing and the transport system.[109] For further discussion of the implications of the increase in Commonwealth funding, see Chapters 3 and 5 of this report.

4.3.3 General government sector borrowing

The government intends to borrow $3.3 billion in 2009-10 and an average of $1.7 billion per year between 2010-11 and 2012-13.[110] As a result, net debt for the General Government Sector is expected to increase from $5.2 billion (1.9 per cent of GSP) in June 2009 to 16.0 billion (5.1 per cent of GSP) in June 2013 (see Table 4.2).[111]

This trend of growing debt is not expected to continue indefinitely and it is expected that the reduction in the amount forecast to be spent on infrastructure by 2012-13 will facilitate repayment of the debt.[112] A reduction in the amount of infrastructure investment and an increasing operating surplus also mean that the Government expects to be able to fund over 60 per cent of its net infrastructure investment in the General Government Sector from its operating surplus by 2011-12.[113]

103 ibid., p.17
104 ibid., pp.7–9
105 ibid., p.7
106 ibid., p.37
107 ibid., pp.8–9
108 ibid., p.8
109 ibid., p.12
110 ibid., p.38
111 ibid., p.56
112 ibid., pp.18, 56
113 ibid., p.57

Table 4.2: Net debt over the forward estimates period as at 30 June each year

	2008 (Actual)	2009 (Revised)	2010 (Budget)	2011 (Estimate)	2012 (Estimate)	2013 (Estimate)
General government net debt ($ billion)	2.2	5.2	9.9	13.4	15.7	16.0
Net debt as a percentage of GSP	0.8	1.9	3.7	4.7	5.3	5.1

Source: Department of Treasury and Finance, Budget Paper No. 2, 2009-10 Strategy and Outlook, p.56

4.4 Asset funding by department during 2009-10

Table 4.3 summarises the bulk of budgeted asset investment expenditure for 2009-10 by department, as provided to the Committee by departments in response to the *2009-10 Budget Estimates* questionnaire. Commonwealth funding was not included in the figures for the Department of Education and Early Childhood Development, the Department of Innovation, Industry and Regional Development and the Department of Human Services. For all departments, this table includes funding for both new and existing asset investment programs.

Table 4.3: Departmental asset investments for funding during 2009-10

Department	Project	2009-10 Budget ($ million)	2009-10 Budget total ($ million)
Education and Early Childhood Development	Land acquisition	31.0	475.9
	Modernisation	117.0	
	New and replacement schools	120.0	
	Regeneration	102.6	
	Relocatable classroom renewal	16.6	
	Secure the Future of Small Rural Schools	24.7	
	Technical wings and trade equipment for government (various)	16.0	
	Ultranet	25.5	
	Other projects	22.5	
Human Services	Caulfield General Medical Centre	20.2	424.8
	Frankston Hospital	18.3	
	Hospital Energy Supply Project	12.0	
	Kingston Centre	22.1	
	Medical Equipment Replacement Program	35.0	
	Northern Hospital	18.4	
	Olivia Newton-John Cancer Centre	20.0	
	Statewide Infrastructure Renewal Program	20.0	
	Sunshine Hospital	38.7	
	Warrnambool Hospital	24.5	
	Western Hospital	12.6	
	Other projects	183.0	
Innovation, Industry and Regional Development	Automotive Centre of Excellence	10.0	68.9
	Improving TAFE equipment (various)	12.0	
	Princess Pier restoration	10.0	
	Other projects	36.9	

Department	Project	2009-10 Budget ($ million)	2009-10 Budget total ($ million)
Justice	Traffic camera office	20.0	257.0
	Building Confidence in Corrections	53.0	
	Melbourne Legal Precinct Master Plan	14.0	
	Response to Victorian bushfire emergency	10.2	
	Road safety	22.1	
	Police stations	85.2	
	Other projects	52.7	
Parliament	None	0	0
Planning and Community Development	Footscray transit city	22.4	108.8
	Rectangular Sports Stadium	25.5	
	State sports facilities upgrade	25.0	
	Other projects	25.9	
Premier and Cabinet	Cultural asset management fund	5.0	29.5
	Southbank cultural precinct redevelopment	18.0	
	Various other projects	6.5	
Primary Industries	Melbourne Wholesale Market redevelopment	120.2	231.6
	New Biosciences Research Centre	97.6	
	Other projects	13.8	
Sustainability and Environment	Fire protection access: bridge replacement	9.1	244.8
	Foodbowl modernisation projects	153.7	
	Living Murray initiatives	9.1	
	Point Nepean Quarantine Station	10	
	Water infrastructure projects – Shepparton Irrigation Area	8.5	
	Other projects	54.4	
Transport	Accessible public transport in Victoria – DDA compliance	36.8	2,652.2
	New ticketing solution	133.6	
	Rail network and station works	631.0	
	Rolling stock	408.5	
	Train safety initiatives	67.6	
	Other public transport projects	82.9	
	Geelong Ring Road (stages 3 and 4)	60.0	
	Peninsula Link	72.7	
	Separating road and rail lines	133.5	
	Road Safety Infrastructure Program 3	83.0	
	West-Gate Monash Freeways Improvement Project	395.4	
	Other road works	547.2	
Treasury and Finance	Efficient technology services	22.7	27.0
	Other projects	4.3	
Total			4,497.2

Note: *Table 4.3 excludes Commonwealth funding for some Departments*

Source: *Departmental responses to the Committee's 2009-10 Budget Estimates questionnaire (see Public Accounts and Estimates Committee, Report on the 2009-10 Budget Estimates Part One, Volume 1, June 2009, Appendix 1)*

4.5 Asset investment observations

Taking into account new capital projects which are to be delivered through the public non-financial corporations sector on behalf of the Government, the new asset investment initiatives announced in the 2009-10 Budget and the *2008-09 Budget Update* have a total estimated investment (TEI) of $9.4 billion.[114] The Committee noted that $3.3 billion of the TEI of $9.4 billion is budgeted to be spent in 2009-10, representing 48 per cent of the total anticipated capital expenditure in that year. The Committee also noted that the TEI of $9.4 billion relating to the new asset funding since the 2008-09 Budget represents a significant increase of 113.6 per cent over the TEI of ($4.4 billion) associated with new asset funding from that of the previous year.[115]

Given that the TEI disclosed in the table below showing new asset funding in the 2009-10 Budget since the 2008-09 Budget[116] includes projects which are to be delivered through the public non-financial corporations sector on behalf of the Government, the Committee believes that the transparency of the Budget Papers would be enhanced by separating out this component from that of the General Government Sector.

Recommendation 4: **Where the Budget Papers disclose for new asset funding, Total Estimated Investments that include projects to be delivered through the public non-financial corporations sector on behalf of government, the Department of Treasury and Finance separate out this component from that of the General Government Sector.**

As shown in Table 4.4, of the new initiatives announced in the 2009-10 Budget, 94 per cent of the funding was provided to three departments, namely:

- the Department of Education and Early Childhood Development (47 per cent);
- the Department of Human Services (18 per cent); and
- the Department of Transport (30 per cent).

114 ibid.,p.51
115 Department of Treasury and Finance, Budget Paper No. 2, *2008-09 Strategy and Outlook*, May 2008, p.50
116 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.51

Table 4.4: New asset funding in 2009-10 Budget by department

Department	TEI [(a)] ($ million)	2009-10 Budget ($ million)	Proportion of 2009-10 Budget new asset funding (per cent)
Education and Early Childhood Development	2,677.1	1,446.5	46.9
Human Services	1,074.9	556.9	18.1
Innovation, Industry and Regional Development	92.7	31.6	1.0
Justice	80.2	38.7	1.3
Planning and Community Development	118.5	13.1	0.4
Premier and Cabinet	31.8	9.5	0.3
Primary Industries	0.0	0.0	0.0
Sustainability and Environment	24.5	14.0	0.5
Transport	4,450.3	911.2	29.5
Treasury and Finance	39.2	22.7	0.7
Parliament	0.0	0.0	0.0
Government-wide	78.3	41.4	1.3
Total 2009-10 Budget asset funding	**8,667.6**	**3,085.6**	**100.0**
Add: 2008-09 Budget Update asset funding	780.8	223.1	
Asset funding since the 2008-09 Budget	**9,448.4**	**3,308.7**	

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

Source: *Department of Treasury and Finance,* Budget Paper No. 2, 2009-10 Strategy and Outlook*, p.51*

The departmental responses to the Committee's *2009-10 Budget Estimates* questionnaire (summarised in Table 4.3) include both new and ongoing capital projects (but, in some cases do not include Commonwealth Government funding). In regards to these figures, the Department of Education and Early Childhood Development, the Department of Human Services and the Department of Transport are the major expenders of funds on assets investments in 2009-10. However, the questionnaire responses also show significant budgets for asset investment for:

- the Department of Justice;
- the Department of Primary Industries; and
- the Department of Sustainability and Environment.

The nature and scale of departments' asset investment programs depend to a large extent on departmental and agency responsibilities in the delivery of services to meet projected community needs. As such, certain types of infrastructure, such as transport networks, water projects and health service facilities are more capital intensive.

The Committee offers the following comments on the six departments with the largest capital expenditure programs during 2009-10.

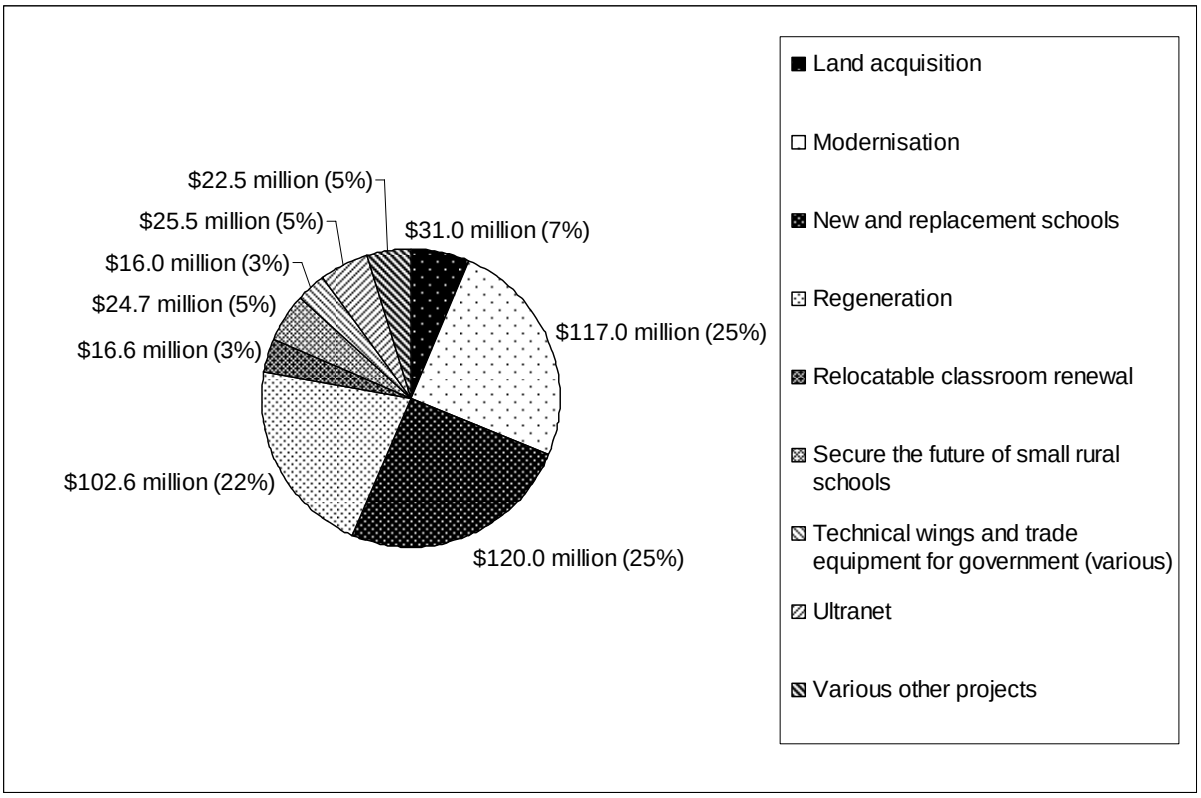
4.5.1 The Department of Education and Early Childhood Development

The Department of Education and Early Childhood Development provided details of $475.9 million dollars that it expects to invest in assets in 2009-10. Grants provided through the *Nation Building – Economic Stimulus Plan* (*Building the Education Revolution*) for the 2009-10 Budget total $1.99 billion. The bulk of that comes through the Primary Schools for the 21st Century program, which is divided between government schools ($1.07 billion) and non-

government schools ($508.6 million).[117] In total, the Department's capital budget of $2.4 billion is a significant increase on the previous year's. This program is discussed further in this chapter.

The Department's allocation of investment expenditure from State funding in 2009-10 can be seen in Figure 4.1.

Figure 4.1: Department of Education and Early Childhood Development budgeted expenditure 2009-10 (net of Commonwealth grants)



Source: *Public Accounts and Estimates Committee, Report on the 2009-10 Budget Estimates Part One, Volume 1, June 2009, p.108*

The majority of this money, as well as the funding from the Commonwealth Government, is for the building or upgrade of school facilities. In 2007, the Committee recommended that:[118]

> *Recommendation 17:*
>
> *Asset investment connected with the upgrading and construction of education facilities be monitored from the viewpoint of ensuring that this spend occurs in an equitable manner so that the more disadvantaged areas receive appropriate support to meet their infrastructure and educational needs.*

This recommendation from 2007 was accepted in principle by the Government. In response to a question on notice at the 2009-10 Budget Estimates hearing, the Department explained that: [119]

- for government schools, the Department's *Building Future*s policy and process were designed to ensure that the State government's '*expenditure on educational assets generates significant gains in student educational achievements*';

117 Department of Treasury and Finance, Budget Paper No. 4, *2009-10 Statement of Finances*, May 2009, p.209

118 Public Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates Part Three*, September 2007, p.98

119 Ms B Pike, Minister for Education, 2009-10 Budget Estimates hearing, transcript of evidence, 13 May 2009, p.22

- for non-government schools, funding was determined on the basis of the *Financial Assistance Model*, which assess the neediness of the students on four criteria; and
- projects funded under the Commonwealth's *Building the Education Revolution* program are assessed using different criteria.

The Victorian Auditor-General tabled a report on *School Buildings: Planning, Maintenance and Renewal* in November 2008, which examined the *Building Futures* program. The Committee will consider this report in due course, as part of its follow-up program of Auditor-General reports. With regard to asset investment, the Auditor-General noted that there were some anomalies in terms of which schools were included in the building programs and which were not, and recommended that:[120]

> *Recommendation 3.3:*
>
> *The department should document and apply robust processes to assess the building needs of schools and use this to inform the selection of schools for inclusion within the government's building programs, to assist delivery of improved educational outcomes.*

The Committee supports this recommendation and notes that the Department of Education and Early Childhood Development has accepted the recommendation[121] and advised the Auditor-General that it was reforming the selection process in a way that will help it to make better informed investment decisions.[122]

Recommendation 5: **The Department of Education and Early Childhood Development reports on the changes it has made to the asset investment assessment process (eg. under the Building Futures program) and the criteria used for selecting infrastructure projects.**

Overall, the Department identified the following key challenges with managing its assets:[123]

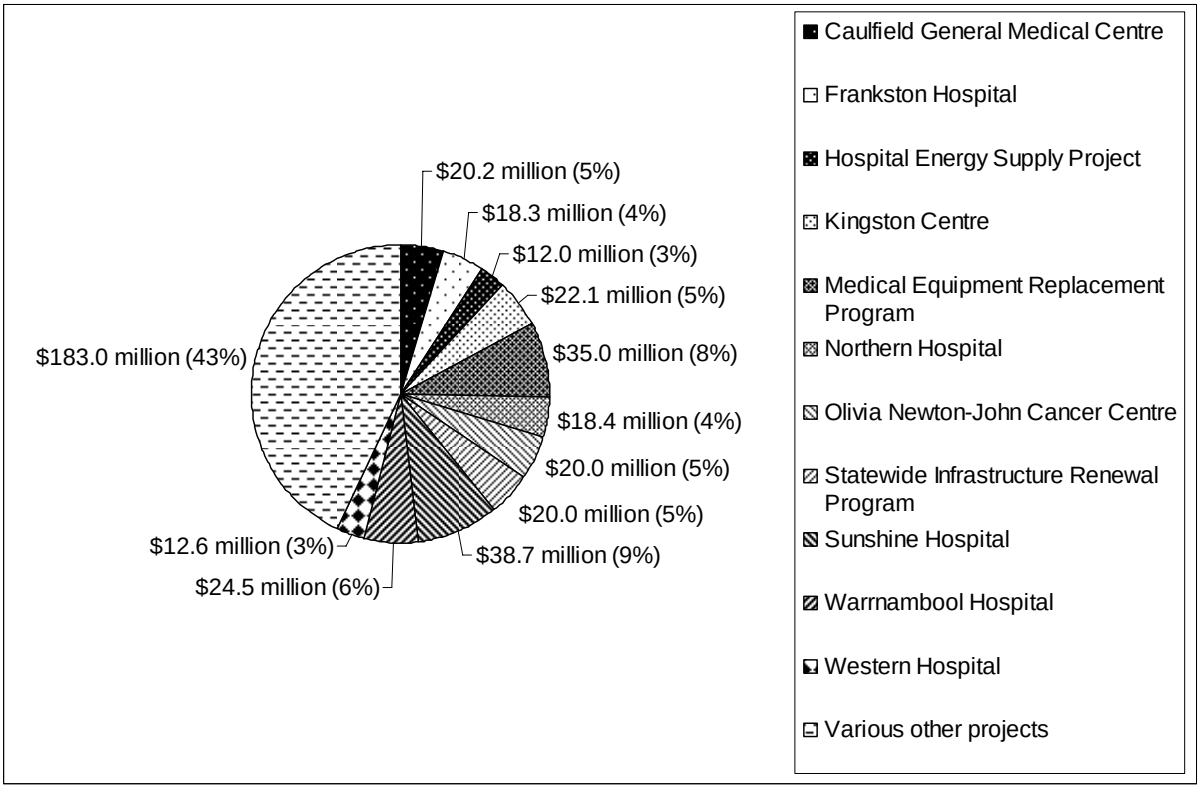
- maintaining the ageing asset base through regeneration programs, rebuilding, renovating or extending schools;
- new methods of delivering infrastructure via public private partnerships;
- establishing strategies to use the funding from the Commonwealth Government; and
- working with multiple funders and providers across all three tiers of government to develop children's centres and schools into community hubs.

120 Victorian Auditor-General's Office, *School Buildings: Planning, Maintenance and Renewal*, November 2008, p.36
121 ibid., p.4
122 ibid., p.36
123 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates Part One, Volume One*, June 2009, pp.109–10

4.5.2 The Department of Human Services

In response to the Committee's questionnaire, the Department of Human Services detailed how $424.8 million of State funds would be spent on assets in 2009-10. This is to be spent predominantly on hospitals. The largest projects are shown in Figure 4.2.

Figure 4.2: Department of Human Services budgeted expenditure 2009-10 (net of Commonwealth grants)



Source: Department of Human Services, response to PAEC Budget Estimates questionnaire – see Public Accounts and Estimates Committee, Report on the 2009-10 Budget Estimates Part One, Volume 1, June 2009, pp.136-7

In addition, over $1 billion of Commonwealth fudning was provided for social housing projects for 2009-10 as part of the *Nation Building – Economic Stimulus Plan*, of which $495.4 is allocated to asset initiatives.[124]

[124] Department of Treasury and Finance, Budget Paper No. 4, *2009-10 Statement of Finances*, May 2009, p.210; Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.320

As in previous years, the Department's budget is characterised by a large number of projects – the Department's response to the questionnaire listed 67 projects, with TEIs ranging from $1 million to $145 million. Forty of those projects had TEIs in excess of $10 million. Noting the large number of projects and the increased amount of funding compared to previous years, the Committee recommended in its *Report on the 2008-09 Budget Estimates* that:[125]

> *Recommendation 6:*
>
> *The Department of Human Services include in their annual report, details of expenditure to date and progress made on all major infrastructure projects with a TEI in excess of $10 million.*

The Government rejected this recommendation on the grounds that expenditure to date is reported in *Budget Information Paper No. 1* and that no department provides details of the progress of individual projects in their annual reports.[126] In this context, the Committee notes Recommendation 6 below and cites the Department of Human Services as an example of a department where the many projects mean that the Parliament would benefit from such reporting in terms of ensuring that the projects are being well managed and delivered.

The future infrastructure challenges identified by the Department include:[127]

- the appropriateness, fitness-for-purpose and location of facilities to meet known and emerging service requirements;
- building and maintaining a value-for-money health system across all areas;
- the existing asset base size and the age and scale of periodic asset investment essential to sustain existing services at appropriate standards;
- meeting ongoing service demand pressures efficiently and effectively with acceptable risk (which requires a significant increase in the capacity of the public health system);
- service reconfiguration requirements to efficiently accommodate new technologies, models of care and redistribution of Department of Human Services funded services to meet changing community needs; and
- the need for higher performing, more efficient plant and equipment to achieve the Government's environmental policy/climate change objectives.

4.5.3 The Department of Justice

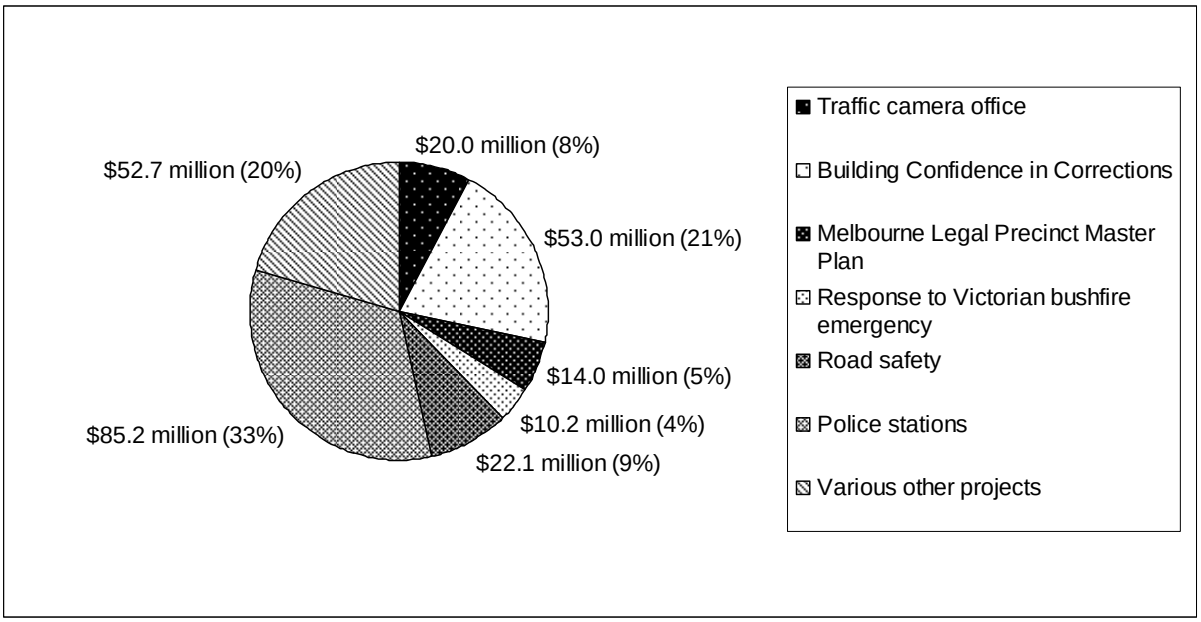
Although the Department of Justice received a relatively small amount of new asset funding in the 2009-10 Budget (see Table 4.4), but note that the vast majority of new funding categorised as '*government-wide*' also goes to the Department of Justice), ongoing projects mean that the Department has a budget of $257 million for asset investment this year. That is split amongst a number of projects (see Figure 4.3).

125 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates Part Three*, October 2008, p.72

126 Victorian Government, response to the Committee's report on the 2008-09 Budget Estimates, May 2009, p.5

127 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates Part One, Volume One*, June 2009, p.137

Figure 4.3: Department of Justice budgeted expenditure 2009-10



Source: Public Accounts and Estimates Committee, Report on the 2009-10 Budget Estimates Part One, Volume 1, June 2009, pp.194-5

Victoria Police receive $102.7 million (40 per cent) of the 2009-10 asset budget, of which $85.2 million is for police stations. Other key areas of investment include the fire emergency infrastructure, the court system and road safety initiatives. Most of the new investment in the 2009-10 Budget is for road safety initiatives and response and recovery from the 2009 Victorian bushfires.[128]

The Department considers its biggest infrastructure challenges for the future to include:[129]

- increasing prison system capacity;
- improving security at and access to courts;
- supporting police and emergency services in responding to the impacts of climate change, particularly the expected increase in fire, storm and flood activity;
- addressing population growth by investing in new technologies, new security measures, new justice centres and new police facilities in growth corridors and regional communities;
- improving police operations through upgraded police stations, administration complexes, rural residences and forensic equipment;
- improving the police's IT and communications infrastructure; and
- rolling out new firearms.

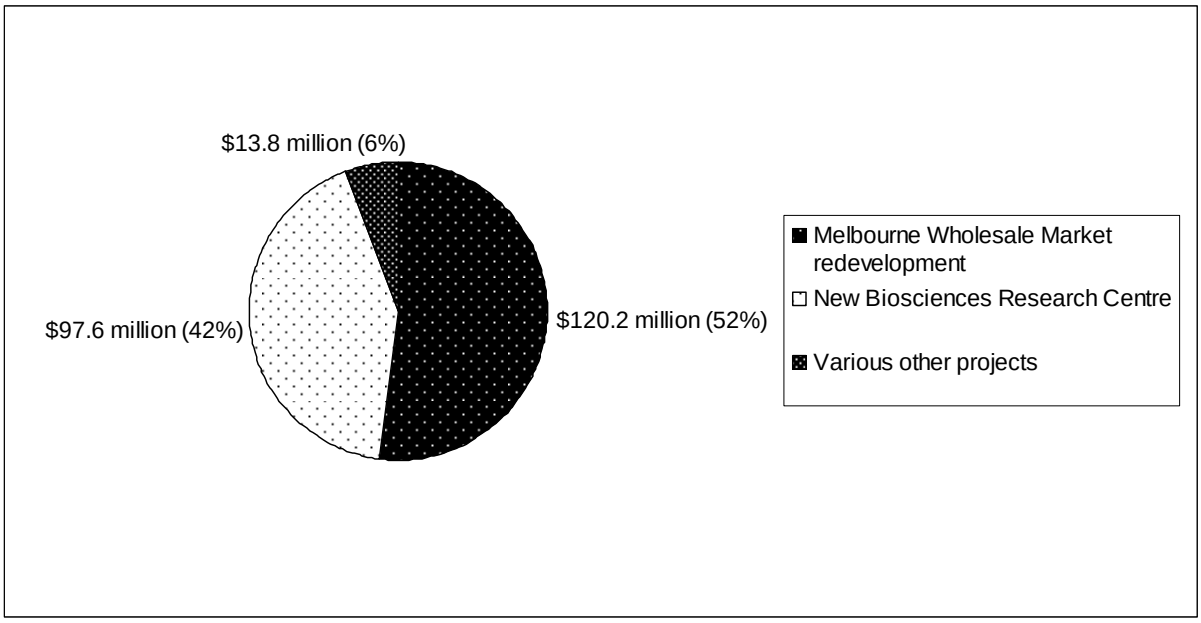
128 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, pp.304, 337

129 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates Part One, Volume One*, June 2009, pp.195-7

4.5.4 The Department of Primary Industries

The Department of Primary Industries received no new funding in the 2009-10 Budget, but continued to administer projects announced in previous budgets (see Figure 4.4).

Figure 4.4: Department of Primary Industries budgeted expenditure 2009-10



Source: Department of Primary Industries, response to PAEC Budget Estimates questionnaire – see Public Accounts and Estimates Committee, Report on the 2009-10 Budget Estimates Part One, Volume 1, June 2009, p.267

Although the funding for 2009-10 is more than double what it was in 2008-09, in both years the vast majority of the funding (94 per cent for 2009-10) is invested in two projects – the Melbourne Wholesale Market redevelopment and the new Biosciences Research Centre.

Looking forward, the Department identified four major infrastructure challenges:[130]

- planning the locations of facilities and infrastructure in a changing environment;
- consolidating its operations into fewer, larger sites to re-focus and strengthen services for farm businesses and rural communities;
- reducing emissions from primary and energy industries in response to concerns about climate change; and
- identifying and developing infrastructure to support the growth of major coal-based industries in regional Victoria.

In its response to the Committee Budget Estimates questionnaire,[131] the Department also noted that funding was provided in this budget to facilitate the development of a new large-scale solar power station and to identify infrastructure developments to support coal-based industries. These are expected to lead to future asset investments.

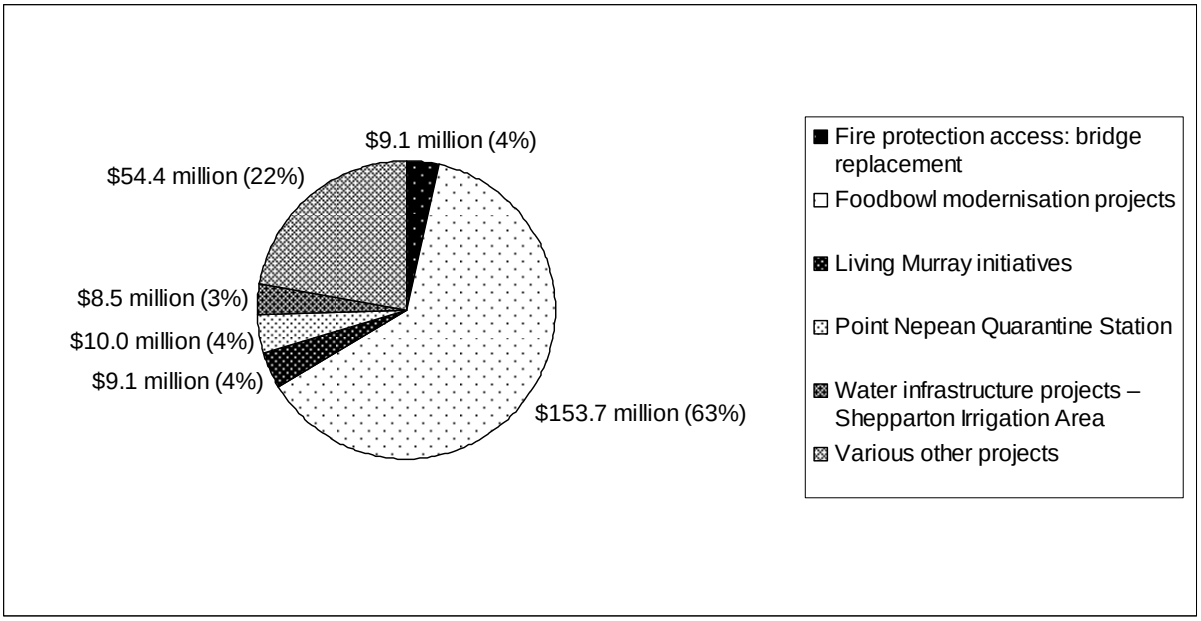
130 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates Part One, Volume One*, June 2009, pp.267-8

131 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.351

4.5.5 The Department of Sustainability and Environment

The Government provided $18 million[132] of funding for new assets to be spent in 2009-10 for the Department of Sustainability and Environment. This added to over $227 million[133] to be spent in 2009-10 that had been announced in previous budgets. This funding goes to a variety of projects, as shown in Figure 4.5.

Figure 4.5: Department of Sustainability and Environment budgeted expenditure 2009-10



Source: Public Accounts and Estimates Committee, Report on the 2009-10 Budget Estimates Part One, Volume 1, June 2009, p.286 (final response only)

The majority of the funding is for foodbowl modernisation projects (the Northern Victoria Infrastructure Renewal Project). As well as the Departmental funding of $154 million for 2009-10, Melbourne Water is supplying an additional $85 million for this project.[134]

The Department's three most significant infrastructure projects for the future are:[135]

- recovery and rehabilitation works in the areas affected by the bushfires;
- securing Victoria's water supply; and
- addressing the impacts of climate change.

132 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.353

133 Note that this figure only includes the 15 projects with the highest budgeted capital expenditure for 2009-10.

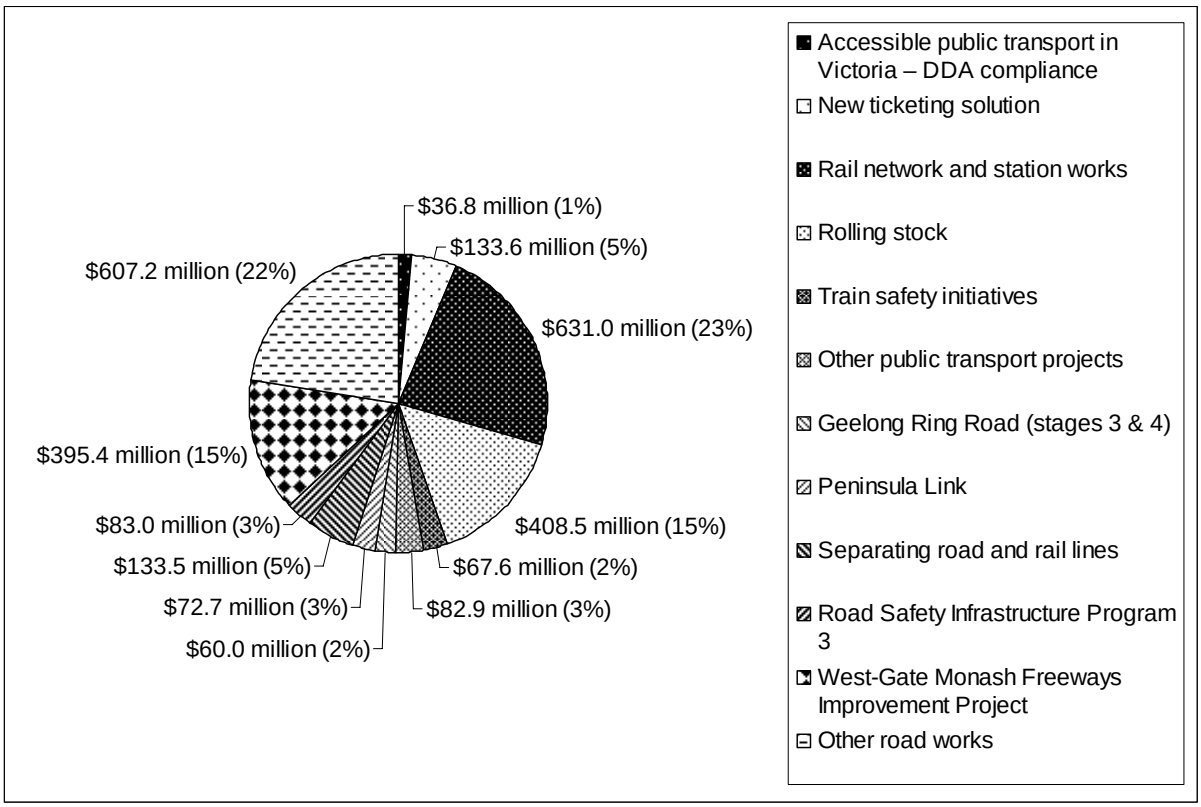
134 Hon. T Holding MP, Minister for Water, 2009-10 Budget Estimates hearing, transcript of evidence, 15 May 2009, p.3

135 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates Part One, Volume One*, June 2009, p.286

4.5.6 The Department of Transport

The Department of Transport's budgeted asset expenditure for 2009-10 exceeds $2.6 billion. This year's budget is more that $900 million more than 2008-09, due to a combination of Commonwealth funding and the initial stages of the $38 billion Victorian Transport Plan (VTP). The funds invested relatively evenly between public transport ($1.36 billion, 51 per cent) and roads ($1.2 billion, 49 per cent). The largest projects can be seen in Figure 4.6.

Figure 4.6: Department of Transport budgeted expenditure 2009-10



Source: Department of Transport, response to PAEC Budget Estimates questionnaire – see Public Accounts and Estimates Committee, Report on the 2009-10 Budget Estimates Part One, Volume 1, June 2009, pp.302-4

Of the $1.36 billion budgeted for public transport investment, the majority of the funding is to be spent on new rolling stock ($409 million) and rail network and station works ($631 million). The Department also expects to spend $134 million on the new ticketing system in 2009-10.

For roads, the largest projects include Peninsula Link ($73 million), Stages 3 and 4 of the Geelong Ring Road ($60 million) and improvements to the West Gate and Monash Freeways ($395 million), with many other smaller projects around the State, such as duplications, upgrades, road widening and roundabouts, bringing the total to $1.29 billion.

The VTP is discussed further, with a number of recommendations, in Chapter 12 of this report. The Department identified five major responsibilities that it had under the plan:[136]

- moving Melbourne's rail system to a modern metro-style rail network through major investments such as Regional Rail Link and the Melbourne Metro as well as delivery of new trains to boost capacity;
- closing the gaps in Melbourne's road network, including through construction of the Peninsula Link, the alternative to the West Gate and the North East Link;
- managing the growth in freight traffic by improving supply chain efficiency and protecting the amenity of the inner West through investments in the Port of Melbourne, rail and the Truck Action Plan;
- improving transport links across regional Victoria and Melbourne to support jobs and population growth; and
- minimising transport's impact on the environment and ensuring that transport infrastructure can withstand the effects of climate change.

4.6 Reporting by departments on net benefits derived from asset investments

In its last two reports on the Budget Estimates, the Committee has noted the Government's significant increases in the level of asset investment. In the 2008-09 reports, the Committee recommended:[137]

> *Recommendation 7:*
>
> *Given the increased levels of asset investment by the government, the Department of Treasury and Finance examine the effectiveness of current reporting practices to ensure that public sector agencies keep Parliament and the community informed of progress made in terms of project completion and outcomes delivered through meaningful disclosure in their annual reports.*

The Government in its response accepted this recommendation and pointed to each year's *Budget Information Paper No. 1* and *Annual Financial Report for the State of Victoria* as supplying much of that information.[138] *Budget Information Paper No. 1* provides details of the funds to be spent on a project-by-project basis, and comparing those papers from year to year certainly enables tracking of funds on each project and identifications of variations. The Annual Financial Report provides details of expenditure by department and some analysis of what was achieved in the year.

Neither of these documents, however, provides details of the outcomes achieved by projects. In addition, while these documents provide information on how much has been spent on a project, there are other measures of completion which may be meaningful to keep people informed about the progress of infrastructure projects.

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136 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates Part One, Volume One,* June 2009, pp.304–5

137 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates Part Three,* October 2008, p.78. See also recommendation 18 from 2007 – Public Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates Part Three,* September 20007, p.99

138 Victorian Government, response to the Committee's report on the 2008-09 Budget Estimates, p.5 (see Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates Part One, Volume One,* June 2009, p.370)

In its response, the Government also noted that the Department of Treasury and Finance is conducting a review into practices and legislation to do with public finance in Victoria. A move to outcomes-based reporting is being considered as part of that, and has been recommended by the PAEC in its report, *New Directions in Accountability*.[139]

In line with these recommendations, the Committee believes that reporting on the outcomes and progress of asset investment projects would provide an increased level of transparency that would benefit Parliament and the community. This is all the more relevant as the level of the Government's infrastructure investment reaches record levels.

Recommendation 6: **The Government ensure that public sector agencies keep Parliament and the community informed of progress made on asset investment projects through their annual reports in terms of:**

(a) progress towards project completion; and
(b) outcomes delivered against departmental and government objectives.

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

CHAPTER 5: COAG REFORM AGENDA AND PRODUCTIVITY IN VICTORIA

Key findings of the Committee:

5.1 **Recognising the current international economic and financial difficulties impacting on Australia, the Committee appreciates the need for implementing initiatives designed to stimulate the economy, deliver jobs and enhance productivity.**

5.2 **In terms of following up matters reported by the Committee in its previous Estimates Report for 2008-09, the Committee maintains that:**

- **the Budget Papers should disclose an abridged version of performance data that summarises how Victoria has progressed against agreed objectives, outcomes and outputs where funding has been provided by the Commonwealth Government;**
- **departments should disclose a breakdown of savings and efficiencies achieved in their annual reports, while the Budget Papers should be expanded to include savings estimates for departments; and**
- **departments should include in their annual reports, performance information aligned to any performance indicators established at the federal level that relate to productivity improvement.**

5.3 **Policy development at the federal level and the implementation of the COAG National Reform Agenda, enacted through budgetary measures locally, have therefore attracted considerable scrutiny by the Committee in its examination of the Budget Estimates for 2009-10 and in recent years.**

5.4 **Beginning on 1 January 2009, the new federal financial framework was established in order to, among other things, improve the quality and effectiveness of government services by reducing Commonwealth prescriptions on service delivery by the States and increase flexibility in the way they deliver services. Having an improved focus on accountability for better outcomes and service delivery is a key feature of the new Framework that the Committee will be interested in examining and promoting.**

5.5 **In reducing the number of payments to the States for Specific Purpose Payments (SPPs) from over 90 to five, the new National SPPs include total funding of $96.7 billion over five years from 2008-09.**

5.6 While Victoria's share of Commonwealth funding is in the process of being determined, the creation of the five new National SPPs included total funding in 2009-10 of $24.3 billion which comprised:

- **$11.2 billion - National Healthcare SPP;**
- **$9.7 billion - National Schools SPP;**
- **$1.3 billion - National Skills and Workforce Development SPP;**
- **$0.9 billion - National Disability Services SPP; and**
- **$1.2 billion - National Affordable Housing SPP.**

5.7 The Committee noted that the performance of all governments in achieving mutually-agreed outcomes and benchmarks specified in each SPP will be monitored and assessed by the independent COAG Reform Council and reported publicly on an annual basis.

5.8 Apart from SPPs, a new type of payment in the form of National Partnership (NP) payments commenced in 2009 to fund specific projects and to facilitate and/or reward states that deliver on nationally-significant reforms which include areas such as health, education and early childhood development, indigenous related issues and housing.

5.9 While the COAG Reform Council will report to the Prime Minister on National Agreements and National Partnerships, the Productivity Commission will also report to COAG on the economic impacts and benefits of COAG's agreed reform agenda every two to three years.

5.10 To maximise the timely and effective delivery of the 3 February 2009 Nation Building and Jobs Plan and the December 2008 Nation Building Statement, COAG agreed on 5 February 2009 to new national coordination arrangements, involving national coordinators at Commonwealth and state levels to support monitoring and implementation of the infrastructure and stimulus measures.

5.11 COAG agreed at its 30 April 2009 meeting to a series of education and training measures to meet the challenge of rising unemployment including a *National Youth Participation Requirement* which will make participation in education, training or employment compulsory for all young people until they reach the age of 17.

5.12 At its 30 April 2009 meeting, COAG noted that agreed milestone dates for the roll-out of the Nation Building and Jobs Plan had been met and implementation was moving from the project planning and approval stage to the building and construction phase.

5.13 The COAG Reform Council, established by COAG as part of the new arrangements for federal financial relations, aims to strengthen accountability for the achievement of results through independent and evidenced-based monitoring, assessment and reporting of the performance of all governments in relation to the three new forms of agreements (National Agreements, National Partnerships and Water Management Partnerships). In addition, the Council has a role in monitoring the aggregate pace of activity in progressing the new COAG Reform Agenda.

5.14 **The Committee acknowledges that due to the complex nature of the new agreements and interphases, 2009 is to be a period of transition whereby the COAG Reform Council will work with the jurisdictions and other key groups to agree on methodologies and approaches. The Committee intends exploring during this transitionary period, issues associated with the role the Auditor-General may have in verifying the accuracy of information to be reported for Victoria against performance indicators and performance benchmarks outlined in the various agreements.**

5.15 **The Victorian Budget Papers for 2009-10 contain a wide coverage of Commonwealth reforms and state-based initiatives designed to improve productivity. The State Government will continue to pursue productivity gains through work on skills reform, infrastructure development and the cutting of 'red tape' for businesses.**

5.16 **In response to the Committee's desire to understand the breadth of areas earmarked by departments for productivity improvement in 2009-10, the Committee noted that the majority of the areas identified by departments related to efficiency initiatives aimed at administrative cost savings (i.e. specific program savings formerly described by the Committee as 'micro' impacts) rather than areas where productivity gains in terms of output and outcome generation in core business areas could be realised (i.e. wider productivity action formerly described by the Committee as 'macro' impacts).**

5.1 Introduction

The Committee noted that with the change in government that occurred at the Commonwealth level after the Federal election in November 2007, the Council of Australian Governments (COAG) decided at their meeting on 20 December 2007 that previously agreed work under the National Reform Agenda would continue.[140]

The goals of the COAG Reform Agenda, formerly known as the National Reform Agenda, are to address the challenges of boosting productivity, increasing workforce participation and mobility and delivering better services for the community. The reform agenda also contributes to the broader goals of social inclusion, closing the gap on Indigenous disadvantage and environmental sustainability.[141]

Recognising the current international economic and financial difficulties impacting on Australia, the Committee appreciates the need for implementing initiatives designed to stimulate the economy, deliver jobs and enhance productivity. Policy directions at the Commonwealth level enacted through budgetary measures at the State level have therefore attracted considerable scrutiny by the Committee in its examination of the Budget Estimates for 2009-10.

140 Council of Australian Governments, Communique, 20 December 2007, p.2
141 Council of Australian Governments, Communique, 3 July 2008, p.1

This chapter provides:

- a commentary on past coverage by the Committee on the COAG Reform Agenda and government responses;
- an insight of the direction taken by COAG in implementing its reform agenda leading up to the release of the Victorian Budget for 2009-10 in May 2009 and post budget;
- a description of accountability mechanisms including the expanded monitoring and assessing role for the COAG Reform Council;
- an analysis of the way in which the economic reform agenda is covered in the Victorian Budget Papers;
- a review of the areas identified by departments for productivity improvement in 2009-10;
- a link to other areas covered by the Committee as part of its inquiry into the budget estimates that deal with key elements of the Victorian budget, grants, asset investment, job creation, transport, health, education, the environment and various social issues; and
- an insight into related issues to be examined as part of likely future inquiries by the Committee.

5.2 Past coverage by the Committee

With the advent of COAG adopting a National Reform Agenda in February 2006, the Committee's reports on the *Budget Estimates and Financial and Performance Outcomes* since that time have regularly featured coverage of this topic. Recommendations made by the Committee over the years have centred on the achievement and disclosure of outcomes realised from implementing this economic reform agenda for Victoria, including the clear need to measure productivity growth.

Table 5.1 sets out a listing of the recommendations made by the Committee relating to the COAG Reform Agenda and Productivity in Victoria that were contained in its previous Budget Estimates report for 2008-09, together with the respective responses by government and further Committee comment where considered appropriate.

Table 5.1: COAG Reform Agenda and Productivity Government responses to the Committee's recommendations made in its Report on the 2008-09 Budget Estimates

Recommendation		Response	Action Taken to Date	Further Action Planned	Committee Comment
2	As the COAG Reform Agenda unfolds, a Whole of Government section should be included in the Budget Papers that explains: (a) Victoria's efforts in contributing to the work agenda of the seven working groups including the Productivity Agenda, actual results against performance measures, future requirements and funding allocations; and (b) how outcomes derived from the Reform Agenda have shaped the Victorian budget.	Accept in Principle	The 2008-09 Budget included a chapter on the economic reform agenda, which outlined the actions being pursued by the Victorian Government to maintain Victoria's economic prosperity. This reform program included both State-based actions and national reforms developed through forums such as COAG.	Performance against reform milestones agreed by COAG will be publicly reported by the COAG Reform Council. This will allow the community to understand the Victorian Government's performance both over time, and compared to other States and Territories. This will be the primary mechanism by which all governments will report results against COAG performance measures. The Department of Treasury and Finance will continue to review opportunities for government to transparently report on the outcomes of COAG reforms.	Mindful of the new framework for financial relations introduced on 1 January 2009, involving the creation of five new broad specific purpose payments and National Partnership payments, the Committee believes that the Economic Reform Agenda chapter in the Budget Papers should be expanded to disclose an abridged version of performance data that summarises how Victoria has progressed against agreed objectives, outcomes and outputs where funding has been provided by the Commonwealth Government. While the Committee encourages the transparent reporting of outcomes derived from the COAG reforms at the state level, the Committee recognises that more detailed performance data, including comparisons with other jurisdictions, is to be included in annual reports prepared by the COAG Reform Council.
3	Where productivity improvements form part of economic factors evaluated during the development of major new budget initiatives, these considerations forming part of related business cases or output price reviews should be made clearly visible in the Budget Papers.	Accept in Principle	Individual efficiency initiatives, inclusive of productivity improvements, are generally reported in Appendix A of *Budget Paper No. 3, Service Delivery*. Productivity improvements anticipated arising from individual departmental proposals or output reviews are included in the total funding for these proposals, however it is not always possible or appropriate to separately identify these details.	The Department of Treasury and Finance will endeavour to clearly identify anticipated productivity improvements in future publications, where it is appropriate and possible to do so.	Nil.
4	In terms of achieving general efficiencies of an administrative nature that are expected to be derived	Reject	The Government and its departments do not normally apply any income derived from savings or efficiencies to specific projects, as it is contrary to the principles	As part of its commitment to continuous improvement, the Department of Treasury and Finance will continue to review public finance and accountability	The Committee maintains that departments should disclose a breakdown of savings and efficiencies achieved in their annual reports. The

Recommendation		Response	Action Taken to Date	Further Action Planned	Committee Comment
	(or any other specific efficiency initiatives announced in future budgets), the Budget Papers should disclose: (a) a breakdown by department and various components that make up such efficiencies; and (b) how savings have been utilised in the budget.		of the Government's financial management and accountability framework. However, in some situations, such as the Government's *Efficient Government* policy, the value and sources of savings revenue is disclosed. The State Government's financial framework focuses on the delivery of outputs and outcomes, rather than the day-to-day management of departmental inputs. This framework is in line with practice across the Australian public sector and based on international experience. Under this framework, departments are not required to report to the Government how agreed efficiency targets are achieved as this is an internal management concern.	practices for possible adoption.	Budget Papers should include savings estimates for departments.
5	Given that standardised performance measures have not been developed to measure productivity of government services, departments should quantify examples of productivity gains in their annual reports in order to increase accountability to the community. This practice should also extend to local government agencies, statutory authorities and non-government organisations in receipt of substantial grant funding from government.	Accept in Principle	Departments, in consultation with the Department of Treasury and Finance, are continually identifying and implementing productivity improvements and efficiency gains achieved. The Government supports departments in enhancing their annual reporting requirements with the adoption of individual performance productivity measurements, where appropriate. At the COAG meeting in late 2008, the Victorian Government agreed to some high level principles to improve the accountability and performance reporting to the public through simpler, more transparent public performance reporting. The new performance reporting framework will focus on the achievement of results, efficient service delivery and timely provision of the data.	The implementation of the new performance reporting and public accountability arrangements are currently being developed in consultation with the departments.	The Committee would like to see departments include in their annual reports, performance information aligned to any performance indicators established at the federal level that relate to productivity improvement.

Source: Government Responses to the Recommendations of the Public Accounts and Estimates Committee's 80th Report on the 2008-09 Budget Estimates, pp.3-4, tabled out of session on 15 April 2009

Recommendation 7:	**With the advent of a new framework for federal financial arrangements with the states and territories involving a range of National Agreements for Specific Purpose Payments and National Partnerships, the Department of Treasury and Finance expand the Economic Reform Agenda chapter in the Budget Papers by disclosing an abridged version of performance data that summarises how Victoria has progressed against agreed objectives, outcomes and outputs where funding has been provided by the Commonwealth Government.**
Recommendation 8:	**Departments disclose in their annual reports a breakdown of savings and efficiencies achieved, while disclosure in the Budget Papers be expanded to include savings estimates for departments.**
Recommendation 9:	**Departments include in their annual reports, performance information aligned to any performance indicators established at the federal level that relate to productivity improvement.**

5.3 COAG deliberations prior to the handing down of the Victorian 2009-10 Budget on 5 May 2009

COAG met on five occasions during 2008-09. Meetings were held on 3 July 2008, 2 October 2008, 29 November 2008, 5 February 2009 and 30 April 2009. With the global economic and financial crises impacting on Australia during this time, COAG, as the peak intergovernmental forum in Australia, was posed with many issues to consider in order to enhance Australia's productivity and competitiveness during this critical period and beyond.

With this background in mind, a summary of some of the key initiatives introduced by COAG, important areas where agreement was reached and major Commonwealth initiatives that were noted, particularly those that relate to building the economy's productive capacity, are set out below:

29 November 2008 meeting[142]

- Beginning on 1 January 2009, a new federal financial framework was established.
- The new Intergovernmental Agreement on Federal Financial Relations is aimed at:
  - improving the quality and effectiveness of government services by reducing Commonwealth prescriptions on service delivery by the States and increased flexibility in the way they deliver services;
  - providing a clearer specification of roles and responsibilities of each level of government; and
  - having an improved focus on accountability for better outcomes and service delivery.

142 Council of Australian Governments, Communique, 29 November 2008, pp.2-3

- The number of payments to the states for National Specific Purpose Payments has been reduced from over 90 to five.
- Five new national SPPs have been created which include total funding over five years from 2008-09 of:
  - $60.5 billion in a National Healthcare SPP;
  - $18 billion in a National Schools SPP;
  - $6.7 billion in a National Skills and Workforce Development SPP;
  - $5.3 billion in a National Disability Services SPP; and
  - $6.2 billion in a National Affordable Housing SPP.
- The performance of all governments in achieving mutually-agreed outcomes and benchmarks specified in each SPP will be monitored and assessed by the independent COAG Reform Council and reported publicly on an annual basis.

5 February 2009 meeting[143]

- Apart from SPPs, a new type of payment in the form of National Partnership (NP) payments commenced in 2009 to fund specific projects and to facilitate and/or reward States that deliver on nationally-significant reforms.
- While the COAG Reform Council will report to the Prime Minister, as chair of COAG, on National Agreements and National Partnerships, the Productivity Commission will also report to COAG on the economic impacts and benefits of COAG's agreed reform agenda every two to three years.[144]
- A centrepiece of the Commonwealth Government's response to the global economic downturn is the $42 billion *Nation Building and Jobs Plan* released on 3 February 2009. The plan, which complements measures previously taken by the Commonwealth and COAG in 2008, includes $21.5 billion to the states for education, social housing and road and rail infrastructure as well as $12.7 billion to deliver an immediate stimulus to the economy to support growth and jobs before investment spending and lower interest rates take effect.
- The *Nation Building and Jobs Plan* will help support and sustain up to 90,000 jobs over the next two years.
- The *Nation Building and Jobs Plan*:
  - complements the Commonwealth's $10.4 billion Economic Security Strategy announced in October 2008;
  - builds on the long-term reforms agreed by COAG in November 2008; and
  - builds on the Commonwealth's nation building agenda announced in December 2008.
- To maximise the timely and effective delivery of the *Nation Building and Jobs Plan* and the *Nation Building Statement*, COAG agreed to new national coordination arrangements, involving national coordinators at Commonwealth and state levels to support monitoring and implementation of the infrastructure and stimulus measures.

143 Council of Australian Governments, Communique, 5 February 2009, pp.1-5, 10-11, 12-15

144 Council of Australian Governments, *Intergovernmental Agreement on Federal Financial Relations*, January 2009, p.6;

- COAG agreed on various timelines for construction with regard to a wide range of initiatives and specific programs under the *Nation Building and Job Plan* that were aimed at stimulating the economy. For example, in relation to the Funding Rounds One, Two and Three connected with the *Primary Schools for the 21st Century* component of the *Building the Education Revolution* program, a key element of the Government's *Nation Building and Jobs Plan*, construction was to start by June 2009, July-August 2009 and by 1 December 2009 respectively (all projects are to be completed no later than March 2011).

30 April 2009 meeting[145]

- COAG agreed to a series of education and training measures to meet the challenge of rising unemployment including:
  - a *Compact with Young Australians* for every young person to be able to access an education or training place;
  - a *National Youth Participation Requirement* which will make participation in education, training or employment compulsory for all young people until they reach the age of 17; and
  - the bringing forward of COAG's 90 per cent Year 12 or equivalent attainment rate target from 2020 to 2015.
- COAG noted that agreed milestone dates for the roll-out of the *Nation Building and Jobs Plan* had been met and implementation was moving from the project planning and approval stage to the building and construction phase.

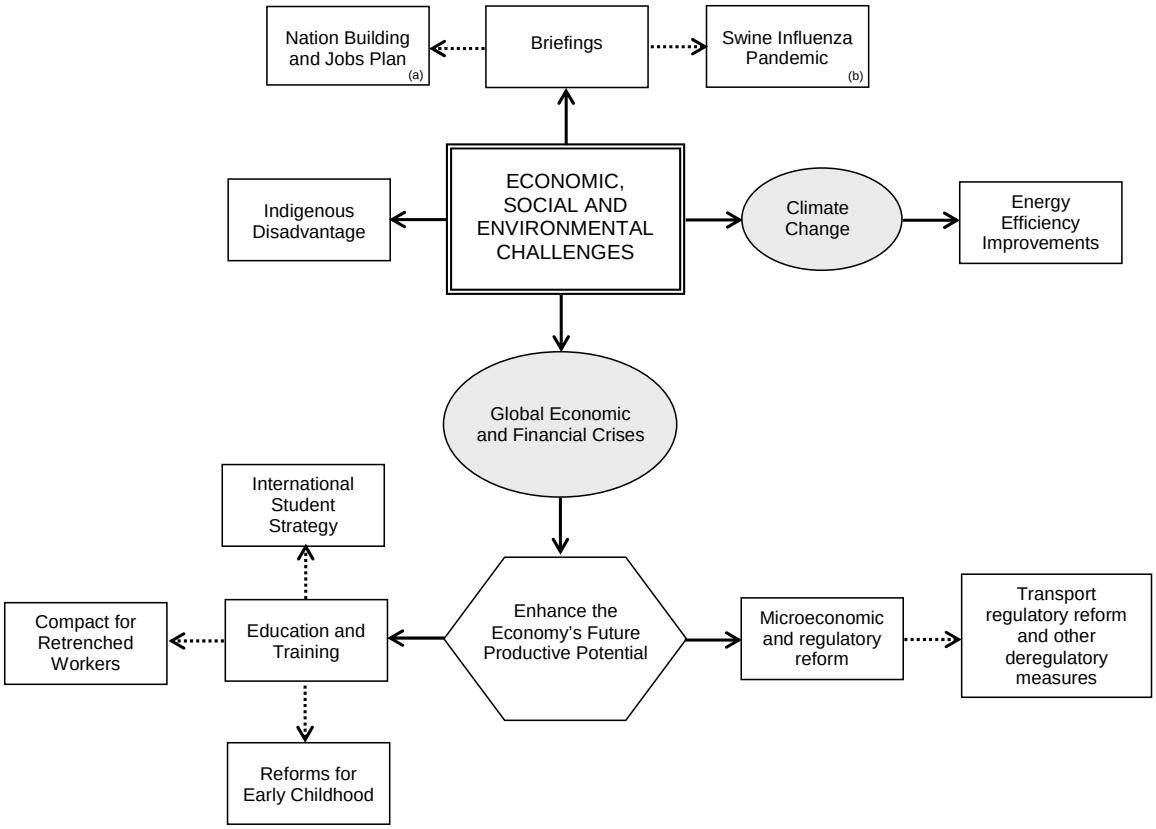
5.4 COAG recent deliberations subsequent to the handing down of the 2009-10 Budget

The Committee noted that at the most recent meeting of COAG, held in July 2009, discussion continued to take place on the ongoing challenges facing Australia and progressing the new *Framework for Federal Financial Relations* that underpin the COAG reform agenda. Included among the deliberations was a broad ranging discussion of the importance, against the background of the global economic and financial crises, of bolstering education, training and retraining efforts and securing further microeconomic and regulatory reform to enhance the economy's future productive potential.[146] A diagrammatic presentation of the broad areas discussed is shown in Figure 5.1.

145 Council of Australian Governments, Communique, 30 April 2009, pp.1, 6

146 Council of Australian Governments, Communique, 2 July 2009, p.1

Figure 5.1: COAG Meeting 2 July 2009: Broad areas discussed



Notes: *(a) Briefing by the Coordinator-General regarding the implementation of the National Building and Jobs Plan.*

(b) Briefing by the Deputy National Security Advisor on the Swine Influenza pandemic.

Source: *Figure compiled by the Public Accounts and Estimates Committee, 2009*

COAG acknowledged that the global economic crisis underscores the importance of further microeconomic reform, including regulatory reform. In this regard, COAG formed the view that:[147]

> *There are widespread concerns that the global economic and financial crises will lower trend economic growth in key developed countries around the world because of higher risk aversion, less access to finance and higher required returns on capital. Continued domestic microeconomic reform will enhance Australia's productivity and competitiveness, raising potential growth rates and living standards, and better enable Australia to deal with difficult international economic circumstances.*

147 Council of Australian Governments, Communique, 2 July 2009, p.7

The Committee also noted with interest that according to a summary report of the Coordinators-General on the *Nation Building and Jobs Plan* presented to COAG, construction activity was underway across all of the infrastructure elements of the *Nation Building – Economic Stimulus Plan*. Importantly, a significant surge in new construction had taken place in June-July 2009 in schools, social housing and community infrastructure programs. In quantifying construction activity that was underway or completed nationally, particular elements covered in the report included:[148]

- essential repairs to social housing dwellings and construction work and approvals for new homes as part of the social housing construction program;
- construction projects connected with school halls, libraries and new classrooms; and
- ceiling insulation and solar hot water programs.

Given that it will be important for the national reforms that build the economy's productive capacity to be implemented in a prompt manner, the Committee will be interested in examining in its inquiry into *Financial and Performance Outcomes 2008-09*, how Victoria has performed in terms of fulfilling its obligations to the Commonwealth under the *Nation Building – Economic Stimulus Plan*.

5.5 National Agreements/SPP and National Partnerships - accountability measures

The Committee wishes to draw attention to the following element of the Intergovernmental Agreement on Federal Financial Relations relating to accountability:[149]

> *As improved accountability is a key objective to the framework for federal financial relations, the Parties commit to improve service delivery by ensuring that the appropriate government is accountable to the community – not just for its expenditure in delivering services, but more importantly for the quality and efficiency of the services it delivers and the outcomes it achieves.*

The Committee noted that the creation of five new National Specific Purpose Payments, entered into between the Commonwealth Government and the states and territories, included total funding in 2009-10 of $24.3 billion which comprised:[150]

- $11.2 billion - National Healthcare SPP;
- $9.7 billion - National Schools SPP;
- $1.3 billion - National Skills and Workforce Development SPP;
- $0.9 billion - National Disability Services SPP; and
- $1.2 billion - National Affordable Housing SPP.

A review by the Committee of the National Agreements covering the SPPs showed that they contain a wide range of objectives, outcomes, progress measures, outputs and reform directions.

148 Council of Australian Governments, Communique, 2 July 2009, p.9

149 Council of Australian Governments, *Intergovernmental Agreement on Federal Financial Relations*, January 2009, p.5

150 Ministerial Council for Federal Financial Relations (website), accessed 24 August 2009, http://www.federalfinancialrelations.gov.au/content/specific_purpose_payments.aspx

As an example, the Committee noted that the National Healthcare Agreement, the largest of the five new National Healthcare SPPs in terms of funding, outlines seven objectives and 11 outcomes, while information is to be collected against 26 progress measures and 15 outputs. Data is also to be provided for 15 national minimum data sets as well as four continuing areas where data sets have not yet been developed. The Committee also noted that the National Healthcare Agreement identifies for various outcomes, reform directions for priority areas of effort. As agreed by the parties, the rate of progress will be contingent on available resources.

As a guide, an example of each category relating to Hospital and Related Care is given below:

- **Objective**: Australians receive appropriate high quality and affordable hospital and hospital related care;
- **Outcome**: Australians receive high quality hospital and hospital related care that is appropriate and timely;
- **Progress measure**: Unplanned/unexpected readmissions within 28 days of selected surgical admissions;
- **Output**: Rates of services provided by public and private hospitals per 1,000 weighted population by patient type; and
- **Priority reform areas**: Increase the proportion of elective surgery patients treated within clinically recommended waiting times.

With regard to the National Partnership agreements, they also outline a wide range of objectives, outcomes, outputs and performance benchmarks and indicators.

In reviewing the content of the agreements, the Committee observed that there are a number of agreed performance measures and areas earmarked for reform in the National Agreements and performance benchmarks and indicators in the National Partnership Agreements that would have implications for building on the performance measures and targets disclosed in the Victorian Budget Papers.

Recommendation 10: **The Department of Treasury and Finance review the accountability measures outlined in the National Agreements and the National Partnership Agreements with a view to updating the performance measures and targets contained in the Victorian Budget Papers where appropriate.**

In terms of reporting requirements, the Intergovernmental Agreement on Federal Financial Relations commits governments to simpler, standardised and more transparent public performance reporting focussing on the achievement of results, value for money and timely provision of publicly available performance information.[151]

Reporting under the *Framework for Federal Financial Relations* will involve:[152]

- the comparative performance of government achievement against objectives, outcomes, outputs and performance benchmarks in areas covered by National Agreements; and
- the achievement by governments of objectives, outcomes, outputs and performance benchmarks in National Partnership Agreements.

151 Council of Australian Governments, *Intergovernmental Agreement on Federal Financial Relations*, January 2009, p.5

152 ibid., p.C-1

With regard to the National Partnership Agreements, the Agreements also specify that detailed reports are to be provided to the Commonwealth on an annual basis against milestones and timelines to be detailed in Implementation Plans.[153]

The expanded role of the COAG Reform Council in the accountability process is explained in the next section of this chapter.

5.6 COAG Reform Council

The COAG Reform Council has been established by COAG as part of the new arrangements for Federal Financial Relations to assist COAG to drive its national reform agenda. The Council, which comprises five members, is independent of individual governments and reports directly to COAG.[154]

As indicated earlier in this chapter, the goals of the COAG Reform Agenda are to boost productivity, workforce participation and geographic mobility, and support wider objectives of better services for the community, social inclusion, closing the gap on indigenous disadvantage and environmental sustainability.

The Council aims to strengthen accountability for the achievement of results through independent and evidenced-based monitoring, assessment and reporting of the performance of all governments.[155]

The COAG Reform Council issued a report in March 2009 titled *2009 COAG Reform Council Report: Report to the Council of Australian Governments on Implementation of the National Reform Agenda*. This is the second report of the COAG Reform Council on the implementation of the competition and regulatory reforms in seven areas referred to the Council for monitoring by COAG in April 2007, namely:[156]

- Electricity Smart Meters;
- National Energy Market Reform;
- Transport Pricing Reforms and Research Agenda;
- National Rail Safety Reforms;
- National System of Trade Measurement;
- Building Regulation Reform; and
- Infrastructure Regulation.

In relation to the above areas of competition and regulatory reform, the Committee intends reviewing the progress made by Victoria against agreed milestones as reported by the Council during its next examination of Financial and Performance Outcomes.

153 Council of Australian Governments, *National Partnership Agreement on Preventative Health*, January 2009, p.10

154 Council of Australian Governments, COAG Reform Council (website), accessed 17 August 2009, http://www.coag.gov.au/crc/index.cfm

155 Council of Australian Governments, COAG Reform Council (website), accessed 17 August 2009, http://www.coag.gov.au/crc/index.cfm

156 Council of Australian Governments, 2009 COAG Reform Council Report, *Report to the Council of Australian Governments on Implementation of the National Reform Agenda*, March 2009, pp.iv-x

As indicated in the report, the Council has the responsibility for monitoring and assessing the performance of government under three new forms of agreements, in addition to monitoring the aggregate pace of activity in progressing the new COAG Reform Agenda that was agreed at its meeting of 26 March 2008. This expanded role for the Council is aimed at enhancing accountability and promoting reform.[157] A description of these agreements and the role of the Council in each case are set out in Table 5.2.

Table 5.2: COAG Reform Council monitoring and assessing responsibilities

Agreement	Description	Council's role
National Agreements	Define the objectives, outcomes, outputs and performance indicators and clarify the roles and responsibilities of the Commonwealth and the states and territories in delivering services in healthcare, education, skills and workforce development, disability, affordable housing and Indigenous reform.	For each National Agreement, the Council must provide annual reports to COAG on performance information for all jurisdictions, comparative analysis of government performance and examples of good practice and performance.
National Partnerships	Define the objectives, outputs and performance benchmarks related to specific projects to facilitate reforms or to reward jurisdictions that deliver on national reforms or service delivery improvements.	For National Partnerships, the Council will provide an independent assessment of whether pre-determined milestones and performance benchmarks have been achieved before a reward payment is made in recognition of this achievement.
Water Management Partnerships	Water Management Partnerships are part of the Agreement on Murray-Darling Basin Reform between the Commonwealth and the Basin states and territory (New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory). This Agreement is an undertaking to implement the reforms necessary to meet the current needs of the Murray-Darling Basin and to protect and enhance the social, environmental and economic values of the Basin in the long-term. Under the Agreement, the Commonwealth and each Basin states or territory will agree on a Commonwealth-State Water Management Partnership (WMP) to implement water saving infrastructure projects, return water to the environment and adapt to climate change in an environment of reduced water availability. Each WMP will be a public document containing the outcomes to be achieved, reform actions, timeframes and performance benchmarks.	The Council is responsible for assessing the performance of the Commonwealth and the Basin states and territory in relation to these WMPs.

Source: *2009 COAG Reform Council Report, Report to the Council of Australian Governments on Implementation of the National Reform Agenda, March 2009, pp.iii–iv*

[157] Council of Australian Governments, 2009 COAG Reform Council Report, *Report to the Council of Australian Governments on Implementation of the National Reform Agenda*, March 2009, pp.iii-iv

Importantly, as referred to earlier in this chapter, the Council is to report to the Prime Minister, as Chair of COAG, on National Agreements and National Partnerships, with the Productivity Commission assisting in this role by also reporting to COAG every two to three years on the economic impacts and benefits of COAG's agreed reform agenda.[158]

The Committee noted that the Council has provided a separate report to COAG on its proposed Workplan for 2009, setting out the tasks to be undertaken to fulfil its expanded role. The Committee also acknowledges that due to the complex nature of the new agreements, 2009 is to be a period of transition whereby the Council will work with the jurisdictions and other key groups to agree on methodologies and approaches.[159]

In this regard, the Committee intends exploring during this transitionary period, issues associated with the role that the Auditor-General may have in verifying the accuracy of information to be reported for Victoria against performance indicators and performance benchmarks outlined in the various agreements. Such a role could serve to establish more effective Commonwealth-State working arrangements with regard to securing an appropriate level of accountability for the way in which special purpose and national partnership payments are used at the state level. The Committee will review this matter as part of its new inquiry into Victoria's *Audit Act 1994*, which is aimed at strengthening financial accountability, where appropriate, by clarifying the powers of the Auditor-General.

The Committee views the monitoring and assessing role of the COAG Reform Council as a strong feature of the new *Framework for Federal Financial Relations* and a positive step to holding states and territories to account for fulfilling their responsibilities under the agreements. The Council's reports will serve to provide very useful information for analytical purposes.

Recommendation 11: **In terms of clarifying the appropriate role of state and territories' Auditors-General for enhancing state accountability under the new federal financial framework, the Victorian Government initiate discussions with COAG on what role, if any, they should have.**

5.7 How is economic reform and productivity addressed in Victoria's May 2009 Budget Papers?

The Committee noted that the Budget Papers contain various announcements connected with economic reform and numerous points of explanation as to how the Government's budget strategies are designed to improve productivity.

In particular, the Government has continued with its practice of devoting an entire chapter to discussing Victoria's Economic Reform Agenda. In the light of the economic downturn, the Government states that it continues to encourage productivity growth through skills reform, infrastructure initiatives (refer to Chapter 4 of this report for further analysis by the Committee) and reducing the burden of state regulation on businesses (refer to Section 5.9 of this chapter for further comment). The Government indicated that the current financial situation made it imperative for the public sector to improve even further the efficiencies of its operations with a view to safeguarding jobs and maintaining key government services.[160]

158 Council of Australian Governments, *Intergovernmental Agreement on Federal Financial Relations*, January 2009,p.6

159 COAG Reform Council, *Report to the Council of Australian Governments on Implementation of the National Reform Agenda*, March 2009, p.iv

160 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, pp.71, 83

As has been the case of past budgets, numerous output and asset initiatives that form part of the economic reform agenda of the Commonwealth and that of Victoria are disclosed in the Budget Papers, particularly in Budget Paper No. 3.

The Committee noted that, in discussing the concept of reforming Commonwealth-State Financial Relations, the Victorian Government indicates that a key determinant of the success of future nation-building reforms will be the nature of financial relations between the Commonwealth and state governments.[161] Among other areas, the Victorian Government draws on the Commonwealth review of Australia's tax and transfer system, welcoming it as an opportunity to identify major taxation and transfer payment reforms that will drive economic growth.[162] The Budget Papers make reference to the implementation of national reforms designed to build the economy's productive capacity. For example, mention is made of the action taken by the Commonwealth Government to support economic growth by announcing two discretionary fiscal stimulus packages, namely:[163]

- the $10.4 billion Economic Security Strategy, announced in October 2008, consisted of $8.7 billion in payments to pensioners, carers, and low and middle income families, $1.5 billion to help first home buyers purchase a home as well as $0.2 billion for new training places; and
- as previously mentioned, the $42 billion *Nation Building – Economic Stimulus Plan* which includes:
  - a total of $28.8 billion in direct public investment in schools, housing, energy efficiency, community infrastructure, roads and support to small businesses, mainly delivered in 2009-10 and 2010-11; and
  - a total of $12.2 billion in payments to low and middle income Australians, mainly in late 2008-09.

With regard to the Commonwealth payments to the states by way of the National Agreements and the National Partnerships as well as other economic stimulus plans, a useful breakdown according to department is disclosed in the Budget Papers (further comment is made by the Committee in Chapter 3 of this report).[164]

5.8 Areas earmarked for productivity improvement in 2009-10 by departments

In examining the *2009-10 Budget Estimates* the Committee was interested in ascertaining from departments a description of any areas earmarked for productivity improvement in 2009-10. Information provided by departments in May 2009 is set out in Table 5.3.

The Committee noted that the majority of the areas earmarked for productivity improvement related to efficiency initiatives aimed at administrative cost savings (i.e. specific program savings formerly described by the Committee as 'micro' impacts) rather than areas where productivity gains in terms of output generation in core business areas could be realised (i.e. wider productivity action formerly described by the Committee as 'macro' impacts). To draw out the distinction, efficiency gains can be achieved through introducing smarter purchasing practices, buying less, utilising shared services, using resources such as vehicles more efficiently and better utilisation of ICT services (refer to Chapter 16 of this report for further comment). Productivity growth, on the other hand, relates to areas where outputs grow in terms of goods produced or services supplied

161 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.80
162 ibid., p.81
163 ibid., p.25
164 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, May 2009, pp.209-211

per unit of input such as labour, capital and technology. For example, growth in admissions to public hospitals and declining waiting lists for elective surgery relative to additional resources, growth in expertise, and new treatment technologies and processes, are examples of productivity growth.

In terms of examining the key elements of the reform agenda and the impact on productivity, the Committee has made various comments in the past which have included the following:[165]

> *It also recognises that major activity in regard to productivity improvement will take place at the macro level and that the improved provision of health and education services, which are the two largest sections of state government outlays, will in the long term make the biggest contribution to productivity improvement in Victoria. The Committee noted the range of proposals in these areas that are being pursued as part of the National Reform Agenda.*

Table 5.3: Areas earmarked for productivity improvement in 2009-10

Department	Areas earmarked for productivity improvement
Parliamentary departments	Renegotiation of information technology and communications contracts. Re-scheduling of staff appointments.
Department of Education and Early Childhood Development	The main areas earmarked include reducing central office costs associated with the administration of the Department.
Department of Human Services	Nine major improvement projects were delivered in 2008. A further 10 projects are planned for 2009, which will focus on areas of operational administration within head office and regions. Productivity improvement is also addressed through Enterprise Bargaining Agreements negotiated by the Department. For some time various settlements in respect of human services workforces have included provisions for productivity offsets, which have the effect of improving workplace practice or removing restrictions which impede productivity improvement.
Department of Innovation, Industry and Regional Development	The Department has identified a number of largely staff and administrative related costs earmarked for productivity improvement in 2009-10 without impacting on the delivery of outputs. The productivity improvements assigned for 2009-10 are: reductions in consultancy and contractor costs – achieved via: mix of project scope changes and/or cancellations, delivering projects through VPS staff that previously may have been contracted out, and achieving price reductions due to more favourable labour market conditions.
Department of Justice	**Departmental Response** In line with Government savings direction, the Department has adopted a number of strategies targeted at reducing head office and corporate expenditure to maintain the current level and quality of service delivery. **Victoria Police Response** Productivity improvements aimed at ensuring required Efficiency Savings are to be achieved through corporate rationalisation.
Department of Planning and Community Development	The use of shared services, consolidated activities and business process will be examined to achieve savings.

165 Public Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates – Part Three,* p.74

Department	Areas earmarked for productivity improvement
Department of Premier and Cabinet	Whilst no specific areas are earmarked for productivity gains, the Department will continue to support Whole of Government efficiency initiatives through shared services for IT, facilities and accommodation, carpool and library services.
Department of Primary Industries	In line with the Department's Strategic Plan, the Department will implement savings through: • being more efficient/productive; • eliminating lower value activity; and • taking advantage of new revenue opportunities. The Department's recent focus has been on consolidation of research and other accommodation/facilities; consolidation (in Victoria) and collaboration (with other jurisdictions and industry) in research and science; sharing of support services and examination of opportunities for revenue generation.
Department of Sustainability and Environment	Further information is unable to be provided by the Department regarding efficiencies, as the specific areas and actions and the attributed savings are not recorded. Savings are applied across the Department and its portfolio entities on a pro-rata basis on their discretionary expenditure base.
Department of Transport	The 2009-10 Budget includes a new efficiencies savings requirement for the Department of $15 million in 2009-10, $22.5 million in 2010-11 and $30 million in 2011-12. These savings will be met mainly from increased administrative efficiency.
Department of Treasury and Finance	From a whole of Victorian Government perspective, the Department will deliver: • an intra-government secured network; • efficient technology services; and • ancillary services.

Source: Departmental responses to the Committee's 2008-09 Budget Estimates questionnaire (Question 1.3)

In future, the Committee would expect to be provided with more quantified examples of where growth in productivity in terms of 'macro' impacts is expected to occur in core areas of business activity rather than efficiency cost savings of an administrative nature. A good example of productivity growth was provided to the Committee by the Department of Justice during the Committee's examination of financial and performance outcomes for 2006-07, which the Committee recommended should be used as a benchmark but clearly has not been followed or understood by departments. In that example of productivity improvement, the Department of Justice cited a reduction in the number of WorkCover claims as described below:[166]

> *The department's key achievements in 2006-07 included a drop in reported incidents and standard claims. The average cost of a claim also fell from $39,461 in 2005-06 to $33,692 in 2006-07. The focus on good injury management, effective early intervention strategies and factors such as stress in the workplace, achieved positive outcomes, reducing the cost to the department in terms of time and actual cost of total claims. The figures as of 30 June 2007 are:*

Year	Number of standardised claims	Number of lost time claims
2005-06	138	63
2006-07	120	44

[166] Public Accounts and Estimates Committee, *Report on the 2006-07 Financial and Performance Outcomes*, May 2008, pp.104-105

Recommendation 12: **Departments consider adopting best practices in productivity improvement reporting such as that presented by the Department of Justice.**

5.9 Productivity Commission's review of business regulation

By way of background, 'Business Regulation and Competition' is one of COAG's seven working groups and the regulation reduction agenda is a key part of the COAG Reform Agenda. The 'Productivity Agenda' is also one of COAG's other working groups.

The Committee noted that the Productivity Commission issued a draft research report on 26 June 2009 titled, '*Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services*'. The draft research report has been prepared for further public consultation and input.

In reviewing the draft report, the Committee observed that the Productivity Commission found that national regulation of the social and economic infrastructure services sector is particularly heavy. The review identified seven main areas – aged care, child care, information media, telecommunications, energy, air transport and education where regulations could be made less burdensome. Many of the industries in this sector are subject to current review or reform activity.[167]

The Commission reported that reducing red tape in these sectors will enhance productivity. The Commission also stated that it is important to ensure that the reforms are fully implemented in a timely fashion and in a way that minimises the regulatory burden.[168]

The Commission found that COAG's reform agenda, if realised, would help in creating a seamless national economy, however the potential benefits remain to be realised. The Commission reported that:[169]

> *… the difficulty arises in converting [brokered reform deals] to actionable, practical rules and regulations to be implemented at an individual business level. Too often the 'ball is dropped' with reforms and the intended results of more uniform regulations do not materialise at the business level.*

According to the Commission, attempts to achieve uniformity have not all been successful.[170]

In terms of preparing its *Report on Financial and Performance Outcomes for 2008-09*, the Committee will be interested in reviewing the findings contained in the final report with regard to the implementation of regulation reduction reforms in Victoria and the impact on productivity. Comparisons with other states will be included where appropriate.

167 Productivity Commission, Draft Research Report, *Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services*, June 2009, p.xvi

168 ibid.

169 ibid., p.xxiii

170 ibid., p.xxii

CHAPTER 6: GENERAL GOVERNMENT REVENUE / REVENUE INITIATIVES

Key findings of the Committee:

6.1 **On a total revenue per capita basis for 2009-10 (inclusive of GST revenue grants from the Commonwealth but net of Commonwealth grants for on-passing), Victoria is the lowest of all states and territories with total revenue per capita of $7,245 compared to the Northern Territory ($17,627, the highest) and New South Wales ($7,433, the second lowest). On a revenue per capita basis, Victoria is mid ranking in terms of GST grants per capita and occupies a similar position with regard to state tax revenue per capita.**

6.2 **In relation to Victoria's General Government Sector, the Government expects to receive revenue from transactions totalling $42.4 billion in 2009-10, an increase of 8.3 per cent compared to the revised estimate for 2008-09.**

6.3 **The largest components of the estimated revenue pool for 2009-10, comprising around 82 per cent of the State's revenue, relate to revenue to be derived by way of grants ($21.6 billion or 50.8 per cent of all revenue sources) and taxation ($13.3 billion or 31.3 per cent).**

6.4 **In terms of total grants, Other Commonwealth Grants in 2009-10 are expected to amount to $11.9 billion (55.4 per cent of total grants). This amount is made up of $8.3 billion (69.9 per cent) in current grants and $3.6 billion (30.1 per cent) in capital grants.**

6.5 **With regard to the revenue item Other Commonwealth Grants, Victoria will receive $4.3 billion by way of National Agreements for specific purposes (35.8 per cent of Other Commonwealth Grants) and $3.1 billion from the Nation Building – Economic Stimulus Plan during 2009-10 (25.6 per cent).**

6.6 **The Department of Education and Early Childhood Development and the Department of Human Services, the two largest recipients of Other Commonwealth Grants, will each receive $4.8 billion in 2009-10.**

6.7 **The Committee noted that in terms of materiality, major movements in revenue categories between the revised estimates for 2008-09 and the budget for 2009-10 are expected to occur in relation to Land Transfer Duty (an increase of 10.4 per cent) and Other Commonwealth Grants (an increase of 278.4 per cent). Modest variations in estimated revenue to be raised over the forward estimates period were exhibited in relation to most revenue items. Land Transfer Duty and Dividends were two notable exceptions where material variations were found to occur.**

6.8 **In the light of the global financial crisis, the economic outlook for Victoria was consequently revised down with the forecast growth in Victoria's Gross State Product reducing from 0.5 per cent in 2008-09 to 0.25 per cent in 2009-10, followed by a gradual recovery to trend rates of growth by the end of the estimates period (growth of 2.25 per cent in 2010-11 rising to 3.00 per cent in 2011-12 and 2012-13).**

6.9 **The May 2009 budget revealed that growth in total revenue over the forward estimates period 2010-2011 to 2012-13 was projected to average $667.2 million, or 1.6 per cent a year. Consistent with the predicted economic outlook at that time, this outcome represented a marked downward revision to the projections outlined in the Government's Budget Update for 2008-09, released in December 2008, which forecast that total revenue growth over the forward estimates period 2009-10 to 2011-12 would average $1.6 billion, or 4.0 per cent a year.**

6.10 **Given the materiality of the estimated increase of around $600 million to be collected in 2009-10 and across the forward estimates for the 'Provision of Services' revenue item compared to the previous year's original estimate, more detail could be provided (e.g. any significant increases in receipts, fees or charges contributing to third party revenue in major sectors of health and education).**

6.11 **New revenue initiatives outlined in the budget are expected to result in the collection of $232.7 million in additional revenue in 2009-10 ($432.0 million to 2012-13).**

6.1 Introduction

In the Committee's latest *Report on the 2007-08 Financial and Performance Outcomes*, the Committee indicated 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, warranted a detailed analysis by Government in the 2009-10 Budget Papers. The Committee foreshadowed the inclusion of a full appraisal in the Budget of where the key revenue risks lie and the opportunities for revenue generation in future.[171]

The Committee noted that in discussing the risks to the economic outlook, the Government stated in part that:[172]

> *… Over the forecast period, the projections assume an improvement in credit conditions and gradual recovery in equity prices. While there have been some encouraging signs, there is a risk that financial markets remain very volatile, which could temper any economic recovery.*
>
> *It could also prolong the weakness in consumer and business confidence, which has been at significantly below-average levels. An improvement in confidence is important to facilitate the economic recovery, whereas continued weakness in confidence could lead to further reductions in spending, investment and employment.*
>
> *…with unemployment now rising, it is possible that there will be an increased prevalence of household financial stress. If the unemployment rate rises significantly more than expected, this would have negative implications for household spending, asset prices and the economic outlook generally...*
>
> *While the near-term economic outlook is weak and there are still a number of downside risks to growth, the longer term prospects for the Australian and Victorian economies remain positive…*

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

172 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, pp.33-34

It is the view of the Committee that the Department of Treasury and Finance will need to continue to closely monitor the economic landscape, both locally and globally, and evaluate the impact that the key economic indicators are likely to have on Victoria meeting its revenue projections.

The Committee's coverage of key aspects of the 2009-10 Budget (refer Chapter 2 of this report) includes a discussion on the revenue projections contained in the budget together with explanations for major movements.

6.2 Competitiveness of Victoria's taxation system

Tax competitiveness can be measured by expressing taxation revenue as a share of nominal Gross State Product (GSP). In comparing Victoria's taxation competitiveness with that of New South Wales, Queensland and the Australian average over the period 2004-05 to 2011-12, based on estimates published at a similar time in the *2008-09 Budget Update* (or equivalent publication) of these jurisdictions, the Government disclosed that Victoria:[173]

- maintains a lower tax to GSP ratio than New South Wales;
- is expected to narrow the gap with Queensland; and
- is expected to move closer to the Australian average over the forward estimates period.

The Committee noted that according to the Government, it is difficult to make interstate comparisons of tax competitiveness and Victoria's position needs to be considered in the broader context. As an example, in 2007-08, Western Australia, Queensland and New South Wales each collected in excess of $500 million in royalty revenue compared with around $40 million for Victoria which is reflective of Victoria's limited access to royalty revenue.[174]

On a total revenue per capita basis (inclusive of GST revenue grants from the Commonwealth but net of Commonwealth grants for on-passing), Table 6.1 shows that Victoria is the lowest of all states and territories with total revenue per capita of $7,245 compared to the Northern Territory ($17,627, the highest) and New South Wales ($7,433, the second lowest). On a revenue per capita basis, Victoria is mid ranking in terms of GST grants per capita and occupies a similar position with regard to state tax revenue per capita.

173 ibid., p.15
174 ibid., p.16

Table 6.1: Tax, GST and total revenue per capita, all states and territories, 2009-10

	Total revenue per capita	Rank	State tax revenue per capita	GST revenue grants per capita	Other revenue per capita
	$		$	$	$
Northern Territory	17,627	1	1,788	9,870	5,969
Australian Capital Territory	9,246	2	2,883	2,388	3,975
Western Australia	8,579	3	2,741	1,475	4,363
South Australia	8,452	4	2,164	2,345	3,943
Queensland	7,991	5	2,289	1,721	3,981
Tasmania	7,800	6	1,670	3,046	3,084
New South Wales	7,433	7	2,528	1,752	3,153
Victoria	**7,245**	**8**	**2,434**	**1,727**	**3,084**

Source: Revenue estimates from state and territory 2009-10 Budgets or 2008-09 Half-Yearly Reviews less estimates of Australian Government grants for on-passing (Payments 'through' the states), NSW Treasury forecast of GST revenue grants and May 2009 Australian Treasury estimate of population cited from NSW Government, Budget Paper No. 2, Budget Statement 2009-10, Table 5.3, p.6

The Committee is of the view that a similar table to that prepared by New South Wales[175] as part of the presentation of its Budget Papers together with appropriate commentary would improve the analysis of revenue in the Victorian Budget Papers.

6.3 Composition of Victoria's General Government Sector's revenue estimates

In relation to Victoria's General Government Sector, the Government expects to receive revenue from transactions totalling $42.4 billion in 2009-10. Table 6.2 outlines the major revenue categories that comprise the revenue estimates for 2009-10 and the expected movement in revenue between the 2008-09 revised estimates and the *2009-10 Budget Estimates* for each component.

Broad explanations for major increases in Commonwealth grants and taxation revenue are outlined earlier in this report (see Chapter 2 - Key Aspects of the 2009-10 Budget).

[175] NSW Government, Department of Treasury and Finance, Budget Paper No. 2, *Budget Statement 2009-10*, May 2009, p.6

Table 6.2: General Government Sector Revenue – Expected movement in revenue categories between the 2008-09 Revised Estimates and the 2009-10 Budget Estimates

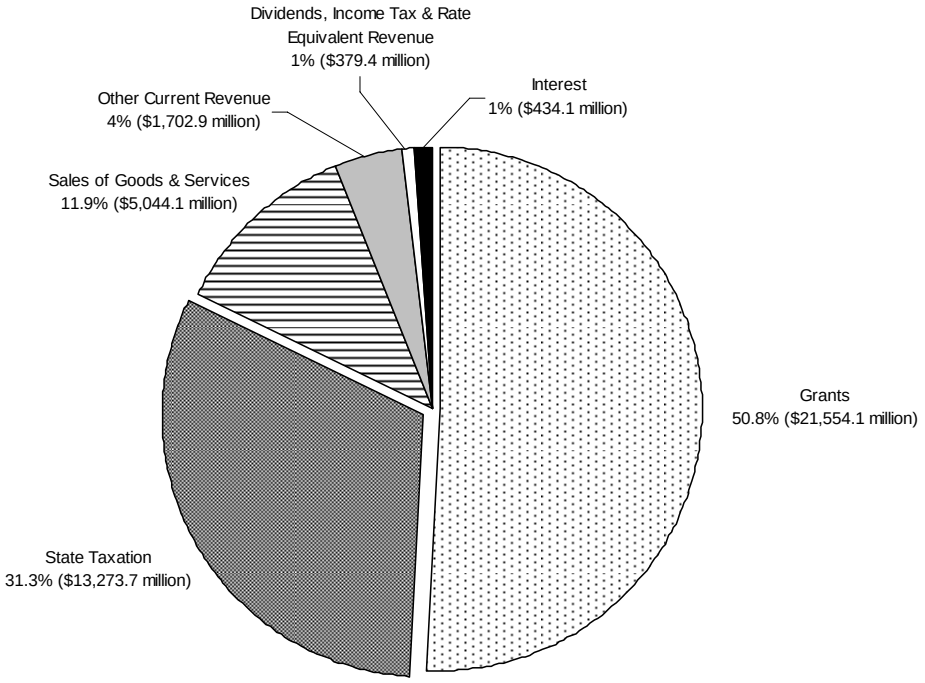
Revenue categories	2008-09 Revised Estimate	2009-10 Budget	Change
	($ million)	($ million)	(%)
Current grants			
GST grants	9,347.9	9,415.1	0.7
Other Commonwealth grants	8,208.7	8,341.2	1.6
Other contributions and grants	144.2	92.6	-35.8
Total current grants	**17,700.8**	**17,848.9**	**0.8**
Capital grants			
Other Commonwealth grants	950.4	3,596.1	278.4
Other contributions and grants	138.2	109.1	-21.0
Total capital grants	**1,088.6**	**3,705.3**	**240.4**
Total grants	**18,789.4**	**21,554.1**	**14.7**
Taxes on employers' payroll and labour force	4,023.5	4,083.3	1.5
Land tax	1,236.8	1,217.9	-1.5
Land transfer duty	2,894.6	3,194.7	10.4
Gambling taxes – Electronic gaming machines	1,000.7	1,004.6	0.4
Other taxation	3,564.4	3,773.2[(a)]	5.9
Total taxation	**12,720.0**	**13,273.7**	**4.4**
Sale of goods and services	**5,076.6**	**5,044.1**	**-0.6**
Dividends, income tax and rate equivalent revenue	**474.2**	**379.4**	**-20.0**
Interest	**408.2**	**434.1**	**6.4**
Other current revenue	**1,683.8**	**1,702.9**	**1.1**
Total revenue	**39,152.1**	**42,388.3**	**8.3**

Note: *(a)* *Other taxation includes taxes on insurance (Non-life insurance of $677.4 million and insurance contributions to fire brigades of $452.1 million), motor vehicle taxes (vehicle registration fees of $864.5 million and duty on vehicle registrations), and transfers of $483.9 million*

Source: *Department of Treasury and Finance, Budget Paper No.4, 2009-10 Statement of Finances, p.193-207*

Figure 6.1 shows a breakdown prepared by the Committee of the proportion of the total estimated revenue for 2009-10 according to major revenue categories. The largest components of the estimated revenue pool for 2009-10, which comprise around 82 per cent of the State's revenue, relate to revenue to be derived from grants ($21,554.1 million or 50.8 per cent of all revenue sources) and taxation ($13,273.7 million or 31.3 per cent).

Figure 6.1:Composition of estimated General Government Sector revenue 2009-10



Source: Figure prepared by the Committee using information drawn from the Department of Treasury and Finance, Budget Paper No.4, Statement of Finances 2009-10, p.193

The Committee believes the preparation of the above chart by the Department of Treasury and Finance would be a useful addition to the future presentation of the Budget Papers.

In terms of the grants item which forms half the revenue budget, Other Commonwealth Grants in 2009-10 are expected to amount to $11,937.3 million (55.4 per cent of total grants). This amount is made up of $8,341.2 million (69.9 per cent) in current grants and $3,596.1 million (30.1 per cent) in capital grants. A breakdown of Other Commonwealth Grants according to the relevant department responsible for service delivery and the particular agreements/plans governing these payments for specific purposes and grants for on-passing is shown in Table 6.3.

Under the larger grant funding arrangements with the Commonwealth for Other Commonwealth Grants, Victoria will receive $4.3 billion by way of National Agreements for specific purposes (35.8 per cent of Other Commonwealth Grants) and $3.1 billion from the *Nation Building – Economic Stimulus Plan* during 2009-10 (25.6 per cent). The Department of Education and Early Childhood Development and the Department of Human Services, the two largest recipients of Other Commonwealth Grants, will each receive $4.8 billion in 2009-10.

Table 6.3: Payments for specific purposes and grants for on-passing 2009-10 Budget ($ million)

Department/Sector	National Agreements	National Partnerships	Nation Building: Economic Stimulus Plan	Assistance to Non-Govt. Schools	Commonwealth Own Purpose Expenses	Other	Total
Education and Early Childhood Development	759.6	235.2	1,995.7	1,792.5			**4,783.0**
Human Services	3,184.7	103.7	1,009.5		486.7		**4,784.6**
Innovation, Industry and Regional Development	326.3	68.9				10.0	**405.2**
Justice		28.9					**28.9**
Primary Industries		59.4					**59.4**
Sustainability and Environment		66.7					**66.7**
Transport		527.3	54.3				**581.6**
Treasury and Finance		103.3					**103.3**
Local Government Operating Local roads						 325.7 120.3	 **446.0**
Other						678.6	**678.6**
Total	**4,270.6**	**1,193.4**	**3,059.5**	**1,792.5**	**486.7**	**1,134.6**	**11,937.3**

Note: The above information is based on information available as at 29 April 2009. In some cases, funding is based on an estimate of the possible Victorian share of Commonwealth funding. The actual share may vary and is yet to be determined.

Source: Table prepared by the Committee using information drawn from the Department of Treasury and Finance, Budget Paper No.4, 2009-10 Statement of Finances, pp.209-211

6.4 Major variations in revenue items

6.4.1 2009-10 Budget compared to 2008-09 Revised Estimates

Table 6.4 discloses significant movements between the revised estimates for 2008-09 and the Budget for 2009-10 for revenue items within each major revenue category. In terms of materiality, the largest movements occur in relation to Land Transfer Duty (an increase of 10.4 per cent) and Other Commonwealth Grants (an increase of 278.4 per cent).

Table 6.4:General Government Sector Revenue – Major variations in revenue items between the 2008-09 revised estimates and the 2009-10 Budget Estimates

Revenue Item	2008-09 Revised Estimate	2009-10 Budget	Change
	($ million)	($ million)	(%)
Taxation			
Land transfer duty	2,894.6	3,194.7	10.4 [(a)]
Financial accommodation levy	26.6	54.2	103.6 [(b)]
Transurban concession fees	37.5	29.5	-21.2
Dividends, income tax and rate equivalent revenue			
Dividends	361.2	255.3	-29.3
Income tax equivalent revenue	107.9	117.9	9.3
Other current revenue			
Fair value of assets received free of charge or for nominal consideration	214.8	56.7	-73.6 [(c)]
Traffic camera and on the spot fines	397.6	437.2	10.0
Donations and gifts	210.5	267.4	27.1 [(d)]
Other miscellaneous income	723.8	807.9	11.6 [(e)]
Grants			
Current grants			
Other contributions and grants	144.2	92.6	-35.8
Capital grants			
Other Commonwealth grants	950.4	3,596.1	278.4 [(f)]
Other contributions and grants	138.2	109.1	-21.0

Notes:

(a) ***Land transfer duty***

The reasons for the expected increase of $300 million or 10.4 per cent are twofold:[176]

- *An estimated 22 per cent decline in land transfer revenue in 2008-09 due to a sizeable contraction in the volume of transactions and modest fall in the average value per transaction which reflects the downturn in the property market associated with the global fall in asset prices; and*
- *In the near term, the positive response in the property market to the recent monetary easing and the stimulatory effect of the Commonwealth Government's First Home Owner Boost and the Victorian Government's First Home Bonus.*

(b) ***Financial accommodation levy***

The predicted increase is mainly due to the anticipated increase in borrowings by water corporations in order to fund capital projects as well as wider credit risk spreads.[177]

(c) ***Fair value of assets received free of charge or for nominal consideration***

The anticipated reduction reflects one-off transactions that occurred in 2008-09, such as land received for the Melbourne Recital Centre and the transfer of works carried by the EastLink consortium to the State.[178]

176 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, May 2009, p.199

177 ibid., pp.200-1

*(d) **Donations and gifts***

The estimated increase is largely due to funding received from other states for water projects and anticipated increased revenue by health services.[179]

*(e) **Other miscellaneous income***

The expected increase is due to the release of an additional 330 wheelchair accessible taxi licences and 200 conventional taxi licences in response to the Essential Services Commission's Taxi Fare Review 2007-08.[180]

*(f) **Other Commonwealth capital grants***

The key areas where grants are expected to increase include the following:[181]

- *under the Nation Building – Economic Stimulus Plan with regard to the Building the Education Revolution initiative, grants relating to*
    - *Primary Schools for the 21st Century are expected to increase by 1,000.7 per cent from a revised estimate for 2008-09 of $97.6 million to an estimate of $1,074.3 million for 2009-10;*
    - *Primary Schools for the 21st Century: Non-government schools are expected to increase by 1,000.8 per cent from a revised estimate for 2008-09 of $46.2 million to an estimate of $508.6 million for 2009-10; and*
- *under the Nation Building – Economic Stimulus Plan with regard to Social Housing, grants are expected to increase by 1,467.5 per cent from a revised estimate for 2008-09 of $64.4 million to an estimate of $1,009.5 million for 2009-10.*

Source: Department of Treasury and Finance, Budget Paper No.4, 2009-10 Statement of Finances, p.195-221

6.4.2 2009-10 Budget compared to the Forward Estimates to 2012-13

The May 2009 Budget indicated that the economic outlook had deteriorated further since the *2008-09 Budget Update*. In the light of the global financial crisis, the economic outlook for Victoria was consequently revised down with the forecast growth in Victoria's Gross State Product reducing from 0.5 per cent in 2008-09 to 0.25 per cent in 2009-10, followed by a gradual recovery to trend rates of growth by the end of the estimates period (growth of 2.25 per cent in 2010-11 rising to 3.00 per cent in 2011-12 and 2012-13).[182] The Committee acknowledges that the rate of growth in Gross Domestic Product impacts on the level of revenue expected to be raised by the State.

The Committee's analysis showed that according to the 2009-10 Budget, growth in total revenue over the forward estimates period 2010-2011 to 2012-13 was projected to average $667.2 million, or 1.6 per cent a year.[183] This outcome represented a marked downward revision to the projections outlined in the Government's *2008-09 Budget Update*, released in December 2008, which forecast total revenue growth over the forward estimates period 2009-10 to 2011-12 would average $1.6 billion, or 4.0 per cent a year.[184]

Modest variations in estimated revenue to be raised over the forward estimates period were exhibited in relation to most revenue items. Exceptions are listed in Table 6.5.

178 ibid., p.206
179 ibid.
180 ibid.
181 ibid., pp.209-10
182 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009., pp.19-21
183 ibid., p.37
184 Department of Treasury and Finance, *2008-09 Budget Update*, pp.27-8

Table 6.5: Major variations in revenue items between the 2009-10 Budget and the forward estimates

	Column 1	Column 2	Column (2-1)/1	Column 3	Column (3-2)/2	Column 4	Column (4-3)/3
Revenue item	**2009-10 Budget**	**2010-11 Estimate**	**Variation**	**2011-12 Estimate**	**Variation**	**2012-13 Estimate**	**Variation**
	($ million)	**($ million)**	**(%)**	**($ million)**	**(%)**	**($ million)**	**(%)**
Taxation							
Land transfer duty	3,194.7	3,574.8	11.9 [(a)]	3,612.3	1.0	3,749.1	3.8
Growth areas infrastructure contribution	84.7	51.3	-39.4	46.8	-8.8	46.8	0.0
Financial accommodation levy	54.2	68.6	26.6	77.6	13.1	84.9	9.4
Casino	144.4	162.3	12.4	182.7	12.6	206.2	12.9
Racing	133.1	138.5	4.1	145.5	5.1	71.9	-50.6
Dividends, income tax equivalent and rate equivalent revenue							
Dividends	255.3	386.4	51.4 [(b)]	645.1	67.0 [(b)]	430.2	-33.3
Income tax equivalent revenue	117.9	136.8	16.0	158.9	16.2	198.1	24.7
Sales of goods and services							
Refunds and reimbursements	52.4	81.5	55.5	55.7	-31.7	55.7	0.0
Inter-sector capital asset charge	1,064.5	1,177.0	10.6	1,279.3	8.7	1,359.0	6.2
Capital Grants from the Commonwealth							
Specific purpose grants for on-passing	793.1	566.4	-28.6	171.1	-69.8	171.1	0.0
Payments for specific purposes	2,803.0	1,683.3	-39.9	740.9	-56.0	531.8	-28.2
Other current revenue							
Fair value of assets received free of charge or for nominal consideration	56.7	51.0	-10.1	0.7	-98.6	0.8	14.3
Fines	506.5	581.5	14.8	583.7	0.4	586.3	0.4
Donations and gifts	267.4	214.8	-19.7	222.0	3.4	207.0	-6.8
Other miscellaneous income	807.9	713.4	-11.7	664.4	-6.9	666.2	0.3

Notes:

(a) ***Land Transfer Duty***

The strongest growth is expected to occur in 2010-11 with the full effect of low interest rates working their way through the property market while the economy recovers. The prospective recovery in economic growth will support land transfer duty from 2011-12, but this is expected to be moderated by a return to more normal interest rate levels.[185]

(b) ***Dividends***

The increase to 2011-12 reflects growth in the Public Non-Financial Corporations and Public Financial Corporations sectors. Dividends from these sectors are expected to increase in line with the anticipated recovery from the current economic downturn.[186]

The Committee is of the view that the disclosure of revenue items in the Budget Papers for 2009-10 would have been enhanced by the inclusion of the actual revenue raised for 2007-08 together with the initial budget for 2008-09 to supplement the published information relating to the revised budget for 2008-09, the current year budget for 2009-10 and the three year forward estimates to 2012-13. The adoption of such a format in future would enable trend analysis to occur in a more user friendly manner. The Committee also requests that more information be provided to explain significant variations from one year to the next in the forward estimates.

Source: Department of Treasury and Finance, Budget Paper No.4, 2009-10 Statement of Finances, p.45-47

Recommendation 13: **The Department of Treasury and Finance supplement the disclosure of revenue items in the Budget Papers by including:**

- **(a) an analysis of total revenue per capita for Victoria compared to the other states and territories;**
- **(b) a pie chart showing the composition of Victoria's revenue base;**
- **(c) the actual budget for the previous year and actual revenue raisings for the most recent completed year; and**
- **(d) explanations for a greater number of material variances between items disclosed in the Forward Estimates.**

185 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.41

186 ibid., May 2009, p.42

6.5 Sales of goods and services – provision of services

Revenue derived from the sales of goods and services is estimated to amount to $5.0 billion in 2009-10 or 11.9 per cent of the State's revenue base.[187] This revenue category is predominately made up of revenue derived from the 'provision of services' which is expected to amount to $3.5 billion in 2009-10 (70 per cent of revenue generated from the sale of goods and services to be derived from the Provision of Services).[188]

The Committee noted that in 2008-09, revenue from the sale of goods and services is expected to total $5,077 million, which is $742 million higher than the original 2008-09 Budget estimate and includes an increase of $287 million on the *2008-09 Budget Update*.[189] In explaining this variance, the Government reported that:[190]

> *This includes a $266 million reimbursement from the Commonwealth with regards to the February 2009 bushfires, along with an increase in third party revenue in the hospital, TAFE and schools sectors. This additional revenue is offset by an increase in expenditure incurred in the delivery of relief to victims of the bushfire and health and education services. The additional third party revenue will be used, in part, to fund asset related expenditure.*

An analysis of revenue expected to be derived from the Provision of Services is set out in Table 6.6. The Committee noted the substantial rise in revenue expected to be collected in the 2009-10 Budget year and extending over the forward estimates period to 2012-13 with regard to the provision of services, which is largely attributable to the increase in third party revenue in the hospital, TAFE and schools sectors.

Table 6.6: General government sector – Provision of Services – Analysis of budgeted revenue 2008-09 to 2012-13

Year	Budget/Estimate ($ million)	Change (%)
2008-09 Budget	2,867.5 [(a)]	
2009-10 Budget	3,475.6	21.2
2010-11 Estimate	3,576.4	2.9
2011-12 Estimate	3,693.1	3.3
2012-13 Estimate	3,727.9	0.9

Note: (a) In the 2008-09 Budget Update, the original budget for the Sales of goods and services revenue category for 2008-09 was revised upwards from an original estimate of $4,334.5 million to $4,789.3 million

Sources: Department of Treasury and Finance, Budget Paper No.4, 2008-09 Statement of Finances, p.44 and Budget Paper No.4, 2009-10 Statement of Finances, p.46

A comparison on how the revenue budgets for the provision of services has been revised upwards in the 2009-10 Budget compared to the 2008-09 original budget and over the forward estimates is shown in Table 6.7. As can be seen from this table the Government, in preparing its 2009-10 Budget, expects to receive a substantial increase in revenue to be collected from the provision of services in 2009-10 and across the forward estimates compared to its initial predictions made in 2008-09.

187 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, May 2009, p.193
188 ibid., p.46
189 ibid., p.312
190 ibid., p.317

Table 6.7: Provision of Services – Comparison of Budget and Forward Estimates projections contained in the 2009-10 Budget to the 2008-09 original Budget

Budget Papers	2008-09 ($ million)	2009-10 ($ million)	2010-11 ($ million)	2011-12 ($ million)	2012-13 ($ million)
2008-09	2,867.5	2,889.4	2,949.4	3,023.0	-
2009-10	-	3,475.6	3,576.4	3,693.1	3,727.9
Variance (per cent)	-	20.3	21.3	22.2	-

Sources: Department of Treasury and Finance, Budget Paper No.4, 2008-09 Statement of Finances, p.44 and Budget Paper No.4, 2009-10 Statement of Finances, p.46

The Committee noted that in terms of comparing the estimate of revenue from sales of goods and services in 2009-10 to the prior year, the Government indicated that Consumer Price Indexation will apply to a range of fees and charges and increases in TAFE institutes' fee revenue will occur due to increased enrolments and fee adjustments.[191]

The Committee is of the view, however, that given the materiality of the estimated increase of around $600 million to be collected in 2009-10 and across the forward estimates for the provision of services compared to the previous year's original estimate, more detail could be provided (e.g. any significant increase in receipts, fees or charges contributing to third party revenue in major sectors of health and education.

6.6 Revenue initiatives contained in the 2009-10 Budget

New revenue initiatives outlined in the Budget, which are expected to result in the collection of $232.7 million additional revenue in 2009-10 ($432.0 million to 2012-13), mainly comprise the following:[192]

- greater assistance provided to those who rely on wheelchair taxi services through the release of a further 330 wheelchair accessible taxi licences and a doubling of the Multi Purpose Taxi Program's trip and annual caps. An extra 200 conventional taxi licences into the greater Melbourne area have also been released to address the undersupply of taxis, particularly at peak times - $146.0 million in 2009-10 ($193.4 million to 2010-11);
- a Growth Areas Development Fund to provide financial assistance for capital works in growth areas, focusing on projects that support economic and community infrastructure - $42.3 million in 2009-10 ($114.8 million to 2012-13); and
- a Growth Areas Infrastructure Contribution to partly fund the provision of infrastructure in growth areas, enabling a more timely provision of facilities and services - $42.4 million in 2009-10 ($114.8 million to 2012-13).

191 ibid., p.205

192 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, pp.369-370

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

Key findings of the Committee:

7.1 **Tax expenditures or tax concessions can take the form of tax free thresholds, exempting or applying a lower rate and deductions or rebate of a tax for a certain class of taxpayer, activity or asset. Tax expenditures for payroll tax and land tax are the largest categories of measurable tax expenditures, estimated at $2.7 billion (or 55.5 per cent of total estimated tax expenditures) and $1.8 billion (or 36.5 per cent of total estimated tax expenditures) respectively in 2009-10.**

7.2 **In relation to 2009-10, the ratio of estimated tax expenditure (excluding thresholds) to estimated tax revenue stood at 0.22 (estimated aggregate tax expenditure of $2.9 billion compared to total estimated taxation revenue for the General Government Sector of $13.3 billion). In contrast, there was one category of tax expenditures, namely land tax exemptions, where the value of measurable tax expenditures exceeded the estimated revenue to be raised which, as was the case in the prior year, resulted in a ratio of 1.41 for this taxation item (i.e. land tax expenditure of $1.7 billion compared to revenue of $1.2 billion).**

7.3 **The Government announced various tax relief measures for families affected by the February 2009 bushfires. These measures, which were not quantified in the 2009-10 Budget Papers, included the waiving of the following fees:**

- **the first $21,970 of stamp duty on new homes to replace homes lost in the bushfires;**
- **the first $1,050 of stamp duty on vehicles lost in the bushfires; and**
- **search and registration fees and charges for title and plan searches, amending land titles, the replacement of certificates of title and the registration of new mortgages.**

7.4 **The budget for 2009-10, which contains concessions amounting to $1.262 billion ($1.192 billion, 2008-09), directly assists around 725,000 households in areas that extend cross a wide cross section of utilities and services (e.g. gas, electricity, water, schools, kindergartens, public and private transport, ambulances, dental and other health services).**

7.5 **The budget provides two new initiatives to assist households with increased costs, namely:**

- **funding of around $42 million over four years to assist households with water price increases expected on 1 July 2009; and**
- **additional funding of $2.3 million in 2009-10 directed at the *Water Wise Program*.**

7.6 **The health sector continues to be the largest provider of concessions to the Victorian community, with an estimated value of $558 million to be granted in 2009-10 (44 per cent of the value of all concessions), compared to $529 million in 2008-09 (44 per cent of all concessions).**

7.7 **Of the major concession categories, the increase in the estimated value of concessions connected with energy, municipal rates and water and sewerage charges to be granted between 2007-08 and 2009-10 of $51.0 million (or 19 per cent) displayed the greatest movement.**

7.8 **On 6 May 2009, the Government announced a revised package of initiatives for first home buyers, effective from 1 July 2009. These changes, which increased bonus payments with regard to newly constructed homes in metropolitan and regional Victoria from $5,000 to $11,000, were aimed at building more homes and sustaining jobs. For established homes, the bonus was reduced from $3,000 to $2,000. The Committee also noted that the value of property threshold for being eligible for a First Home Bonus was increased from $500,000 to $600,000 for contracts entered into between 1 July 2009 and 30 June 2010. Significant support for first home buyers is also provided by the Commonwealth.**

7.9 **According to the Housing Industry Association, the boost to the first home owner's package for new homes would secure an estimated 3,600 extra jobs over the next three years, generate around $1.3 billion of additional housing activity and result in 4,300 more homes being built. The Government indicated it would invest $125 million to boost the scheme for an additional year.**

7.1 Introduction

This inquiry continues the past practice of the Committee analysing the budget with regard to the granting of tax concessions and the provision of concessions and subsidies. This area complements the topic covering state revenue by providing a contrasting perspective of the budget that relates to revenue foregone to the state.

The key policy documents that underpin concessions and hardship programs in Victoria are *Growing Victoria Together* and *A Fairer Victoria*. Table 7.1 sets out how concessions and hardship programs provided by the state government are linked to these policies.

Table 7.1 Linkage of concessions and hardship programs to key government policies

Key government policy	Policy context	Linkage of programs to government policy
Growing Victoria Together	The policy includes goals relating to accessibility of health services, efficient use of natural resources and a fairer society that reduces disadvantage.	Programs contribute to these goals by providing concession cardholders with discounts on a broad range of services including housing, utility bills, public and private transport, education and primary health care.
The 2005 *A Fairer Victoria* policy together with a series of subsequent policy pronouncements that fall within the 2005 *A Fairer Victoria* framework	The Government's approach to addressing disadvantage is directed at: • ensuring that universal services provide equal opportunity for all; • reducing barriers to opportunity; • strengthening assistance to disadvantaged groups; • providing targeted support to the highest risk areas; and • involving communities in decisions affecting their lives and making it easier to work with government.	Programs fall within a wide range of strategies aimed at making services more affordable, reducing disadvantage and responding to the challenge of climate change.

Source: Department of Human Services, State concessions and hardship programs 2007-08: Reducing barriers to opportunity and making services more affordable, pp.2-3

The Committee appreciates that governments, in framing budget initiatives to increase accessibility of low income groups to services, reduce disadvantage and promote or discourage certain types of behaviour, may consider policy options that involve either the:

- incurrence of tax expenditures or the provision of concessions or subsidies;
- introduction of penalties in the form of taxes or fines; or
- implementation of a combination of the above approaches.

Such decisions, which may embrace both economic and social considerations, can be complex in nature. For this reason, the selection of options such as tax expenditures, which involve granting select groups in the community more favourable tax treatment than applies to taxpayers in general, should be transparent and disclosed.

The Committee notes the Auditor-General will be undertaking a limited scope performance audit in 2009-10 covering the management of concessions to pensioners and beneficiaries by the Department of Human Services.[193]

It should also be noted that not all '*subsidies*' are explicitly detailed in the Budget Papers as they are sometimes included in running or program costs e.g. only around half the running costs of public transport are covered by fares paid by commuters.

193 Victorian Auditor-General's Office, *Annual Plan 2009-10*, February 2009, pp.10-11

7.2 Past coverage by the Committee

In its October 2008 *Report on the 2008-09 Budget Estimates – Part Three*, the Committee made a number of recommendations that called for greater disclosure of estimated taxation exemptions, concessions and subsidies in the Budget Papers.

The Committee was pleased to see in the Government's response to the report that the Department of Treasury and Finance planned to investigate the feasibility of providing a finer breakdown of estimated tax expenditures as well as the anticipated number of benefiting households from concession programs and the value of subsidies (grants) that resemble such programs.[194] While acknowledging that the Budget Papers and departmental websites do include information relating to concessions, the Committee reiterates its view that there is also room for an expanded presentation of information dealing with concessions, preferably in a consolidated form.

The Committee notes the way in which major tax expenditures and concessions have been disclosed in the New South Wales Budget Papers. A *Tax Expenditure and Concessional Charges Statement,* which comprises 31 pages, is provided by way of an appendix to the Budget Papers in that state. This detailed statement includes the following information:[195]

- a description of what constitutes tax expenditures and concessions;
- a comprehensive listing and, where possible, costing of each major tax expenditure (categorised by major taxable activity) and concession (by function) for 2009-10 compared to the previous two years; and
- a description of each minor tax expenditure and concession (i.e. tax expenditures and concessions less than $1 million) under major revenue items and functional categories for concessions.

To illustrate the comprehensive level of disclosure adopted in New South Wales for tax expenditures and concessions, the Committee noted that with regard to the taxable activity dealing with Transfer Duty, the NSW Budget Statement provides details relating to 12 major tax expenditures, three minor tax expenditures and 21 areas that are exempt from transfer duty.[196]

As the timing of the government response did not enable a more comprehensive format to be adopted for disclosure purposes, either in the May 2009-10 Budget Papers or other suitable publications, the Committee looks forward to examining an expanded form of the presentation of revenue foregone in future. The Committee views this as particularly relevant, given that tax expenditures that can be costed (including thresholds) are estimated to average around $5 billion each year over the forward estimates to 2012-13, while the estimated value of concessions to be provided in 2009-10 was in the order of $1.3 billion.

194 Victorian Government, response to the Committee's *Report on the 2008-09 Budget Estimates*, tabled out of session on 15 April 2009 and on 5 May 2009 in the Legislative Assembly, pp.11-13

195 NSW Government, Budget Paper No. 2, *Budget Statement 2009-10*, Appendix E: Tax Expenditure and Concessional Charges Statement, pp. E1-4

196 NSW Government, Budget Paper No. 2, *Budget Statement 2009-10*, Appendix E: Tax Expenditure and Concessional Charges Statement, pp.2-5

Recommendation 14: **The Department of Treasury and Finance advise the Committee of the results of its study into presenting a finer breakdown of tax expenditures and concessions in the Budget Papers.**

7.3 Tax expenditures

Tax expenditures relate to tax concessions granted to certain taxpayers, activities or assets which amount to a deviation from the normal taxation treatment. Concessions of this nature can take the form of:[197]

- tax free thresholds;
- exempting or applying a lower rate; and
- deductions or rebate of a tax for a certain class of taxpayer, activity or asset (which generally excludes applying marginal tax rates).

A summary of estimated tax expenditures for 2009-10 for the main categories of tax that can be costed (including thresholds) compared to the estimates for the prior two years is shown in Table 7.2. Tax concessions expected to be granted over the forward estimates period have been averaged over the three year period.

[197] Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, May 2009, p.223

Table 7.2: Tax expenditures that can be costed (including thresholds) 2007-08 to 2012-13

Description	2008-09 Estimate	2009-10 Estimate	2009-10 Distribution	Average 2010-11 to 2012-13
	($ million)	($ million)	(%)	($ million)
Land tax exemptions				
Principal place of residence	783	771	15.7	759
Land used for primary production	270	266	5.4	262
Commonwealth land	173	170	3.5	168
Crown property (right of Victoria)	163	161	3.3	158
Land vested in a public statutory authority	143	141	2.9	139
Other	282	279	5.7	274
Sub-total	*1,815*	*1,788*	*36.5*	*1,760*
Payroll tax exemptions				
Wages paid by public hospitals	218	226	4.6	241
Wages paid by a public benevolent institution/charity	217	225	4.6	241
Wages paid by non-profit, non-public school	121	125	2.5	134
Employers' payroll below $550,000	1,941	1,933	39.5	1,974
Other	202	210	4.3	225
Sub-total	*2,698*	*2,718*	*55.5*	*2,815*
Congestion levy tax exemptions	33	33	0.7	35
Gambling tax exemptions	77	77	1.6	83
Motor vehicle tax expenditures	79	82	1.7	88
Other stamp duties exemptions [(a)]	181	195	4.0	218
Total estimated tax expenditures	**4,883**	**4,894**	**100.0**	**4,999**

Note: *(a) Principally stamp duty on land transfer*

Source: *Table prepared by the Committee using information drawn from the Department of Treasury and Finance, Budget Paper No.4, 2009-10 Statement of Finances, pp.224-5*

The Committee noted that the largest components of the estimated tax expenditures that can be costed (including thresholds) for 2009-10 of $4.9 billion comprised revenue foregone that emanated from the granting of:

- land tax exemptions ($1.8 billion or 36.5 per cent of total estimated tax expenditures) of which land tax exemptions associated with individuals' principal places of residence and land used for primary production comprised 58 per cent of total land tax expenditures; and
- payroll tax exemptions ($2.7 billion or 55.5 per cent of total estimated tax expenditures) where employers' payroll below $550,000 was the most dominant area where payroll tax expenditures were estimated to be incurred in 2009-10.

In addition, the Government expects to provide tax assistance (including thresholds) averaging $5 billion annually over the forward estimates period to 2012-13, a slight increase when compared to the estimate of $4.9 billion in 2009-10.

The Committee also observed that in relation to 2009-10, the ratio of estimated tax expenditure (excluding thresholds) to estimated tax revenue stood at 0.22 (estimated aggregate tax expenditure of $2.9 billion compared to total estimated taxation revenue for the General Government Sector of $13.3 billion). In contrast, there was one category of tax, namely land tax exemptions, where the value of measurable tax expenditures exceeded the estimated revenue to be raised which, as was the case in the prior year, resulted in a ratio of 1.41 for this taxation item (i.e. land tax expenditure of $1.7 billion compared to revenue of $1.2 billion).[198]

The Committee welcomed the Government's announcement of various tax relief measures for families affected by the February 2009 bushfires. These measures included the waiving of the following fees:[199]

- the first $21,970 of stamp duty on new homes to replace homes lost in the bushfires;
- the first $1,050 of stamp duty on vehicles lost in the bushfires; and
- search and registration fees and charges for title and plan searches, amending land titles, the replacement of certificates of title and the registration of new mortgages.

As referred to in Chapter 2 of this report which comments on key aspects of the 2009-10 budget, the Committee noted that the Treasurer did not identify at the time of the announcement, the estimated cost to revenue of the relief decisions, nor do the 2009-10 Budget Papers disclose such information.

7.4 Concessions including subsidies contained in the budget

The objective of concessions is to enable key services to become more affordable for low income households in Victoria.[200] The Government assists directly around 725,000 households through the provision of more than $1 billion worth of concessions, rebates and allowances across gas, electricity, water, schools, kindergartens, public and private transport, ambulances, dental and other health services.[201]

Concessions amount to a direct budget outlay or a reduction in government charges that have the effect of reducing the price of a good or service for particular groups. Characteristics of the consumer, for example the possession of a Commonwealth pension card or a healthcare card, can serve to be the basis for such an entitlement. Accessing and/or purchasing important amenities such as energy, health and transportation at a cheaper rate or zero cost can be made available to particular groups in the community through the granting of concessions.[202] A small number of concessions can take the form of a direct payment (or subsidy) such as the Education Maintenance Allowance, which provides a direct payment to parents to assist with the cost of their children's schooling.[203]

198 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, May 2009, pp.195, 223
199 Mr J Lenders MLC, Treasurer, *Stamp duty relief for bushfire affected families*, media release, 19 February 2009
200 Department of Human Services, *State concessions: Your entitlements*, February 2009, p.iii
201 Ms L Neville, MP, Minister for Community Services, 2009-10 Budget Estimates hearing, transcript of evidence, 19 May 2009, p.18
202 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, May 2009, p.227
203 Department of Human Services, *State concessions and hardship programs 2007-08: Reducing barriers to opportunity and making services more affordable*, August 2009, p.6

At the Budget Estimates hearing with the Minister for Community Services, the Committee was interested in gaining an understanding of the additional funding to be provided in the budget for concessions. The Minister explained that families are under additional pressure due to the flow-on effects of the global financial crisis and additional costs attributable to the drought and climate change, which have contributed to the continued rise in the cost of basic utilities. To ensure that essential services remain affordable for low income households, the Budget provides two new initiatives whereby:[204]

- funding of around $42 million over four years will be provided to assist low income households with water price increases expected on 1 July 2009 (the concession provides a 50 per cent discount on water and sewerage bills up to the maximum cap which will be increased by 14.2 per cent in 2009-10); and
- additional funding of $2.3 million in 2009-10 has been directed at the *Water Wise Program*, which assists low income households (around 4,000 additional households) reduce their water usage through the provision of a free water audit, enabling the retro fitting of efficient water regulation aids and appliances (up to about $500 per household).

The Committee noted that consistent with past disclosures, the Budget Papers, which classified major concessions by category (such as a public transport category and an energy, municipal rates, water and sewerage category), showed the percentage of total concessions attributable to each category and the estimated value for each category.[205]

Table 7.3 discloses a breakdown of concessions estimated to be incurred by category in terms of value and proportion of total concessions. The Committee's analysis of estimated concessions showed that:

- the health sector is the largest provider of concessions to the Victorian community, with an estimated value of $558 million to be granted in 2009-10 (44 per cent of the value of all concessions);
- of the major concession categories, the increase in the estimated value of concessions connected with energy, municipal rates and water and sewerage charges to be granted between 2007-08 and 2009-10 of $51.0 million (or 19 per cent) displayed the greatest movement;
- a steep increase in the provision of hardship assistance was planned to occur in 2008-09 (82.6 per cent) due to the 2009 Victorian bushfires and is expected to remain at this level in 2009-10; and
- the distribution of concessions among the various categories as a proportion of the total concessions has remained similar for the past three years.

204 Ms L Neville, MP, Minister for Community Services, 2009-10 Budget Estimates hearing, transcript of evidence, 19 May 2009, p.18 and Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, pp.314-316

205 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, May 2009, p.228

Table 7.3: Concessions by category 2007-08 to 2009-10

Category	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2009-10 Distribution
	($ million)	($ million)	($ million)	(%)
Energy, municipal rates, water and sewerage	268	295	319	25.2
Education	70	71	76	6.0
Health	506	529	558	44.2
Hardship assistance	23	42	44	3.5
Transport	247	256	266	21.1
Total of items estimated	**1,115**	**1,192**	**1,262**	**100.0**

Source: Department of Treasury and Finance, Budget Paper No.4, 2009-10 Statement of Finances, p.228

From an information dissemination and accountability viewpoint, the Committee noted that the Department of Human Services, the department responsible for monitoring and reporting on concessions, has issued two key publications namely:

- a document released in February 2009 that explains the various types of concessions available and information regarding how to apply for such concessions;[206] and
- a comprehensive annual report issued in August 2009 that details the concessions and hardship programs provided during 2007-08, an analysis of the volume of concessions delivered and expenditure incurred/revenue foregone and an outline of other community service obligation arrangements.[207]

In recognising that a wide range of organisations are involved in administering and delivering the concession program for the State, the Committee believes that measures should be implemented by the Department of Human Services to bring forward the completion date for issuing the annual report on concessions and hardship programs. In terms of facilitating effective policy and budget formulation in future, an earlier completion of the annual report would enable analysis of information relating to the number of concessions delivered and expenditure/revenue foregone to occur in a timely manner.

Recommendation 15: **The Department of Human Services accelerate the completion date for its annual report on concessions and hardship programs which should occur as soon as possible in the following year.**

206 Department of Human Services, *State concessions: Your entitlements*, February 2009, p.iii

207 Department of Human Services, *State concessions and hardship programs 2007-08: Reducing barriers to opportunity and making services more affordable*, August 2009

7.5 First home buyer initiatives

The Committee noted that to support economic growth, the Commonwealth Government's $10.4 billion *Economic Security Strategy*, announced in October 2008, included $1.5 billion to help first home buyers purchase a home through the *First Home Owners Boost*.[208] Commonwealth *New Home Grant* funding to Victoria was estimated to be in the order of $202.6 million in 2008-09 and $103.3 million in 2009-10.[209] This initiative provides one-off financial assistance to eligible first home buyers of $7,000 for an established home and $14,000 for a new home or a newly constructed home. This funding was initially only available for eligible home purchases until 30 June 2009 and, as such, most payments were expected to occur in 2008-09.[210] However, as a part of the Commonwealth Government's budget for 2009-10, the *First Home Owners Boost* was extended until 31 December 2009, with changes to apply to the payment from 1 October 2009 (see tables 7.6 and 7.7) which halved the entitlements under this initiative.[211]

The *First Home Owners Boost* complements funding provided by the state through the *First Home Owner Grant* scheme, which consists of a one-off payment of $7,000, and the *First Home Bonus* initiative. The Committee noted that at the time the 2009-10 Budget was released on 5 May 2009, the Government earmarked that the extension of the *First Home Bonus* initiative was '*to be determined*'.[212] On 6 May 2009, the Government announced a new package of initiatives, effective from 1 July 2009, that were connected with the *First Home Bonus* (see tables 7.5, 7.6 and 7.7). These changes, which essentially increased bonus payments with regard to newly constructed homes in metropolitan and regional Victoria, were aimed at creating more homes and jobs. According to the Housing Industry Association, the boost to the first home owner's package for new homes would secure an estimated 3,600 extra jobs over the next three years, generate around $1.3 billion of additional housing activity and result in 4,300 more homes being built. The Government indicated that it would invest $125 million in order to boost the scheme for an additional year.[213]

The different amounts that first home buyers in Victoria may be eligible for receiving payment, that take into account the changes at both the Commonwealth with regard to the *New First Home Owner Boost* and at the State level, are set out in tables 7.4 to 7.7.

208 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.25
209 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, May 2009, p.211
210 ibid., p.220
211 Australian Government, First Home Owners Boost (website), accessed 3 September 2009, http://www.fahcsia.gov.au/sa/housing/payments/Pages/FirstHomeOwnersBoost
212 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.366
213 Hon. J Brumby, Premier, *Victorian First Home Bonus increased for new homes*, media release, 6 May 2009

Table 7.4 Payments to First Home Buyers Contract Date 14 October 2008 – 30 June 2009

Conditions	First Home Owner Grant (State)	New First Home Owner Boost (Commonwealth)	First Home Bonus (State)	First Home Owner Regional Bonus (State)	Total
Established homes only	$7,000	$7,000	$3,000 [(a)]	$0.00	**$17,000**
Newly constructed homes in Metropolitan Victoria only	$7,000	$14,000	$5,000 [(a)]	$0.00	**$26,000**
Newly constructed homes in Regional Victoria only	$7,000	$14,000	$5,000 [(a)]	$3,000 [(a)]	**$29,000**

Note: (a) For contracts entered into up to 30 June 2009, the value of the property must not exceed $500,000

Source: State Revenue Office Victoria – Overview (First Home Owners) website, viewed 4 September 2009, http://www.sro.vic.gov.au/sro/SROnav.nsf/LINK/VIEW

Table 7.5 Payments to First Home Buyers Contract Date 1 July 2009 – 30 September 2009

Conditions	First Home Owner Grant (State)	New First Home Owner Boost (Commonwealth)	First Home Bonus (State)	First Home Owner Regional Bonus (State)	Total
Established homes only	$7,000	$7,000	$2,000 [(a)]	$0.00	**$16,000**
Newly constructed homes in Metropolitan Victoria only	$7,000	$14,000	$11,000 [(a)]	$0.00	**$32,000**
Newly constructed homes in Regional Victoria only	$7,000	$14,000	$11,000 [(a)]	$4,500 [(a)]	**$36,500**

Note: (a) For contracts entered into between 1 July 2009 to 30 June 2010, the value of the property must not exceed $600,000

Source: State Revenue Office Victoria – Overview (First Home Owners) website, viewed 4 September 2009, http://www.sro.vic.gov.au/sro/SROnav.nsf/LINK/VIEW

Table 7.6 Payments to First Home Buyers Contract Date 1 October 2009 – 31 December 2009

Conditions	First Home Owner Grant (State)	New First Home Owner Boost (Commonwealth)	First Home Bonus (State)	First Home Owner Regional Bonus (State)	Total
Established homes only	$7,000	$3,500	$2,000 [(a)]	$0.00	**$12,500**
Newly constructed homes in Metropolitan Victoria only	$7,000	$7,000	$11,000 [(a)]	$0.00	**$25,000**
Newly constructed homes in Regional Victoria only	$7,000	$7,000	$11,000 [(a)]	$4,500 [(a)]	**$29,500**

Note: *(a) For contracts entered into between 1 July 2009 to 30 June 2010, the value of the property must not exceed $600,000*

Source: *State Revenue Office Victoria – Overview (First Home Owners) website, viewed 4 September 2009, http://www.sro.vic.gov.au/sro/SROnav.nsf/LINK/VIEW*

Table 7.7 Payments to First Home Buyers Contract Date 1 January 2010 – 30 June 2010

Conditions	First Home Owner Grant (State)	New First Home Owner Boost (Commonwealth)	First Home Bonus (State)	First Home Owner Regional Bonus (State)	Total
Established homes only	$7,000	$0.00	$2,000 [(a)]	$0.00	**$9,000**
Newly constructed homes in Metropolitan Victoria only	$7,000	$0.00	$11,000 [(a)]	$0.00	**$18,000**
Newly constructed homes in Regional Victoria only	$7,000	$0.00	$11,000 [(a)]	$4,500 [(a)]	**$22,500**

Note: *(a) For contracts entered into between 1 July 2009 to 30 June 2010, the value of the property must not exceed $600,000*

Source: *State Revenue Office Victoria – Overview (First Home Owners) website, viewed 4 September 2009, http://www.sro.vic.gov.au/sro/SROnav.nsf/LINK/VIEW*

In terms of the Victorian economic projections contained in the 2009-10 Budget, the Government forecasts dwelling investment to post solid growth, driven by low interest rates, the *First Home Owner Boost* and pent-up demand.[214] As indicated in the May 2009 budget, there were early signals of a rebound in the number of housing finance commitments and in first home buyer demand. In this regard, the Committee noted that:

- dwelling finance obtained by first home buyers expressed as a percentage of total dwelling finance (excluding re-financing) rose to a record level of almost 40 per cent in January 2009;[215]
- the number of dwellings financed for first home buyers in Victoria in February 2009 was 20.3 per cent higher than in October 2008;[216]
- dwelling approvals showed an increase, up 13.8 per cent over the three months to February 2009;[217] and
- Victoria accounted for more than 30 per cent of national dwelling approvals in recent months.[218]

The Committee believes that in 2010-11, the Government should conduct a socio-economic impact assessment to assess the full extent of the stimulatory and distributive effect of the first home buyer initiatives on economic growth in both Metropolitan Victoria and Regional Victoria, particularly with regard to growth in new homes or newly constructed homes and the impact on employment. Input from such an analysis could then be used in framing appropriate policy with regard to the continuation of subsidies to promote housing affordability among first home buyers and boost employment in this state.

Recommendation 16: **The Department of Treasury and Finance conduct research to assess the socio-economic impacts that the first home bonus incentives have had in terms of their stimulative and distributive effects on the economy, particularly with regard to the securing existing jobs or creating new jobs and areas of growth.**

214 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.20
215 ibid., p.27
216 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, May 2009, p.199
217 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.27
218 ibid.

CHAPTER 8: REGIONAL AND RURAL VICTORIA

Key findings of the Committee:

8.1 **The number of people residing in provincial Victoria has increased up to 143,400 over the last 12 years.**

8.2 **In terms of population growth in regional Victoria, between 2006-07 and 2007-08, the largest growth occurred in the Local Government Areas of Greater Geelong (3000), the City of Ballarat (1,800), and Greater Bendigo (1,600).**

8.4 **The fastest rate of population growth in regional Victoria during 2007-08 occurred along the coast: the shires of the Surf Coast (3.6 per cent), the Bass Coast (2.3 per cent); and Queenscliff (2.2 per cent).**

8.5 **In the year to June 2008, a number of Victorian regional Local Government Areas experienced a decline in population. The largest decline (0.7 per cent) occurred in Yarriambick and Hindmarsh shires and the population of Buloke shire and the rural city of Benalla declined by 0.5 per cent.**

8.6 **Regional Victoria makes a major contribution to economic growth and employment in Victoria through the value of products from agriculture, forestry and fishing sectors. It was estimated in 2007-08 that the value of these sectors was more than $11.8 billion.**

8.7 **Regional Victoria overwhelmingly contributes to the value of food exports from Victoria. In 2008 food exports from the State totalled $ 6.08 billion.**

8.8 **The 2009-10 Budget provides for the following major regional initiatives:**

- **$932.8 million over four to six years for linking Rural, Regional and Metro Victoria projects;**
- **$171 million over four years to upgrade health services in regional Victoria;**
- **$145 million to support farmers and farming communities; and**
- **$48.5 million to support regional industries and communities.**

8.11 **The Committee acknowledges that prolonged drought caused economic hardships in regional Victoria including increased socio economic problems among regional communities.**

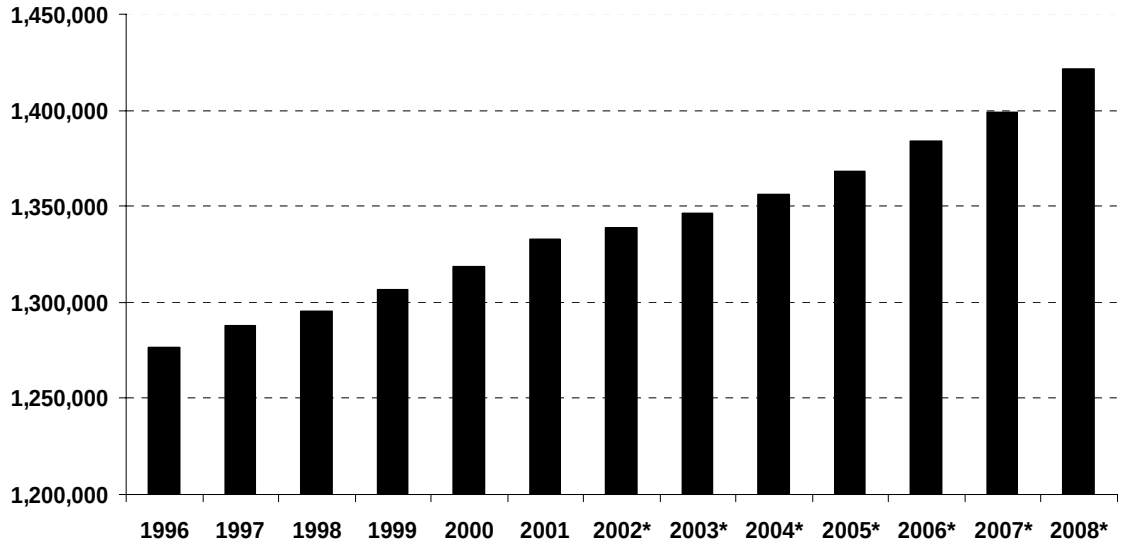
8.1 Introduction

In inquiring into the budget estimates for the year 2009-2010, the Committee remains interested in the allocation of the state's budget to the regional and rural sector. In line with previous years, the Committee's lines of inquiry have been strategic in nature in the areas related to the government's key policy announcements, namely the goals set out under *Growing Victoria Together*, the *Moving Forward Statement, Securing a Prosperous Future for Provincial Victoria* as outlined in the budget and the *Future Farming: Productive, Competitive and Sustainable Strategy*.

The Committee recognises that some key factors impacting regional Victoria during the year were the global financial crisis, prolonged drought conditions and the impact of the bushfires.

At the Budget Estimates hearing, the Minister for Regional and Rural Development informed the Committee that Victoria has experienced strong population growth over the past 12 years with the number of people residing in provincial Victoria increasing to 143,000 over that period. In the year to June 2008, the population of Regional Victoria increased by 17,900 (1.3 per cent). It is projected that Regional Victoria will grow by around 477,000 people in the next 30 years.

Figure 8.1: Population growth in Regional Victoria 1996 to 2008



Note: **Preliminary*

Source: *Hon. J Allan, MLA, Minister for Regional and Rural Development, 2008-09 Budget Estimates hearing, 30 May 2008, slide presentation (slide no.2); (Data source: Australian Bureau of Statistics)*

According to the Australian Bureau of Statistics[219], all Victorian Statistical Divisions (SDs) experienced population growth during this period. The fastest growth occurred in the SDs of Barwon (1.6 per cent), Central Highlands and Gippsland (both 1.5 per cent).The populations in both Loddon SD and East Gippsland SD increased by 1.3 per cent.

As indicated in Table 8.1, the Local Government Areas (LGA) of Greater Geelong (c), located south-west of Melbourne, experienced the largest increase in population (3,000 people) for the year to June 2008. This was followed by Ballarat (c) (1,800 people), which is west of Melbourne, and Greater Bendigo (c) (1,600 people) in central Victoria.

Table 8.1 also indicates that the fastest population growth in Regional Victoria during 2007-08 continued to occur along the coast. The LGA of Surf Coast (s), covering areas such as Torquay along the Great Ocean Road, experienced the fastest growth in regional Victoria, with an increase of 3.6 per cent. The Bass Coast (s), incorporating areas such as Phillip Island, was the second-fastest, increasing by 2.3 per cent, followed by Queenscliff (b) (2.2 per cent), a small LGA on the coast to the east of Geelong[220].

219 Australian Bureau of Statistics, *Regional Population Growth, Australia, 2007–08,* April 2009, www.abs.gov.au/ausstats/, accessed 13 October 2009

220 ibid.

Table 8.1: Local government areas in Regional Victoria that experienced the largest increase and fastest rate of growth in population to 30 June 2008 compared to the previous year

Local Government Area	Estimated resident population 30 June 2008	Change in resident population over the previous year	Population growth
	(Number)	(Number)	(Per cent)
Largest increase in population			
Greater Geelong (c)	211,841	2,980	1.4
Ballarat (c)	91,787	1,800	2.0
Greater Bendigo(c)	100,054	1,598	1.6
City of Latrobe	73,982	899	1.2
Greater Shepparton (c)	61,014	852	1.4
Fastest rate of growth			
Surf Coast Shire	24,442	843	3.6
Bass Coast Shire	28,802	648	2.3
Queenscliffe (b)	3256	70	2.2
Baw Baw Shire	40,114	784	2.0
Mansfield (s)	7,691	133	1.8
Victoria	**5,313,823**	**92,513**	**1.8**

Source: Australian Bureau of Statistics, Regional Population Growth, Australia, 2007-08

In the year ended 30 June 2008, a number of Victorian LGAs experienced a decline in population, and all of them were in regional Victoria. The largest population declines (0.7 per cent) occurred in Yarriambiack (s) and Hindmarsh (s), which are predominately agricultural areas in north-west Victoria. The populations of Buloke (s), also in north-west Victoria in the Mallee area, and Benalla (rc), in north-east Victoria, declined by 0.5 per cent.[221]

221 ibid.

Table 8.2: Local government areas in Regional Victoria with largest and fastest population decline

Local Government Area	Estimated resident population 30 June 2008	Change in resident population over the previous year	Population growth
	(Number)	(Number)	(Per cent)
Largest decline			
Benalla (rc)	14,000	-70	-0.5
Yarriambiack (s)	7,700	-50	-0.7
Hindmarsh (s)	6,200	-40	-0.7
Northern Grampians (s)	12,300	-40	-0.3
Buloke (s)	7,100	-30	-0.5
Fastest decline			
Hindmarsh	6,200	-40	-0.7
Yarriambiack (s)	7,700	-50	-0.7
Buloke (s)	7,100	-30	-0.5
Benalla (rc)	14,000	-70	-0.5
West Wimmera (s)	4,600	-20	-0.3

Source: Australian Bureau of Statistics, Regional Population Growth, Australia, 2007-08

The Committee heard from the Minister for Agriculture, Mr J Helper that Victorian agriculture is in a strong position with the estimated value of agriculture production in 2007-08 at $ 11.8 billion. This is a $3.1 billion or about 35 per cent increase over 2006-07 production. Notably[222]

- the value of products from Victoria's agriculture, forestry and fishing sector in 2007-08 was estimated to be more than $11.8 billion;
- in 2008 Victoria accounted for 25 per cent of Australia's total food and fibre exports and was Australia's largest state exporter. The value of food exports from Victoria in 2008 was $6.08 billion which is an increase of $800 million, or 15 per cent over the previous year;
- due to the impact of the global financial crisis the demand for dairy products dropped and international market prices deteriorated rapidly. World dairy prices have fallen by more than 60 per cent for milk powders and 50 per cent for cheese and butter. Despite this adverse situation Victorian dairy exports were valued at $2.4 billion in 2008;
- Victoria's timber and forest product exports are valued at around $700 million and accounts for 29 per cent of the national export total; and
- these outcomes were achieved in spite of continuing drought and on only 3 per cent of Australia's total arable land.

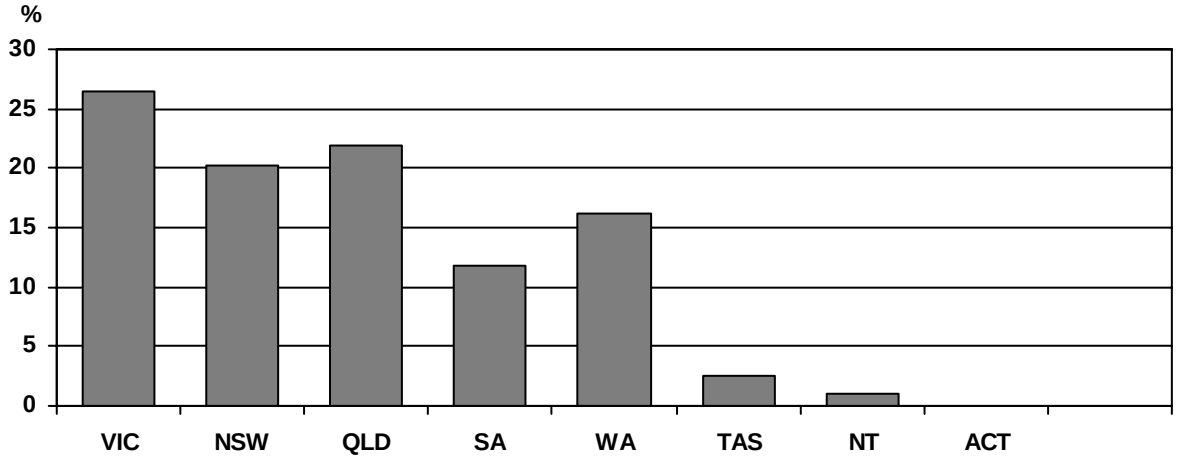
222 Hon. J Helper MP, Minister for Agriculture, 2009-10 Budget Estimates hearing, transcript of evidence, 14 May 2009, p.4

At the Budget Estimates hearings, the Minister for Agriculture stated that the 2009 State Budget contained more than $68.2 million in initiatives to support farmers and drive new growth in the agricultural sector.[223]

Through the $205 million *Future Farming Strategy* the government has set out new investment to boost farming services and productivity, help the farming sector respond to change, drive innovation, and capture new market opportunities. It is aimed at assisting Victorian farmers to meet the challenges of the prolonged drought, water shortages, the strengthening of overseas market competition and changing climate conditions[224].

Figure 8.2 presents the percentage of Victoria's agriculture production in comparison with the other Australian States.

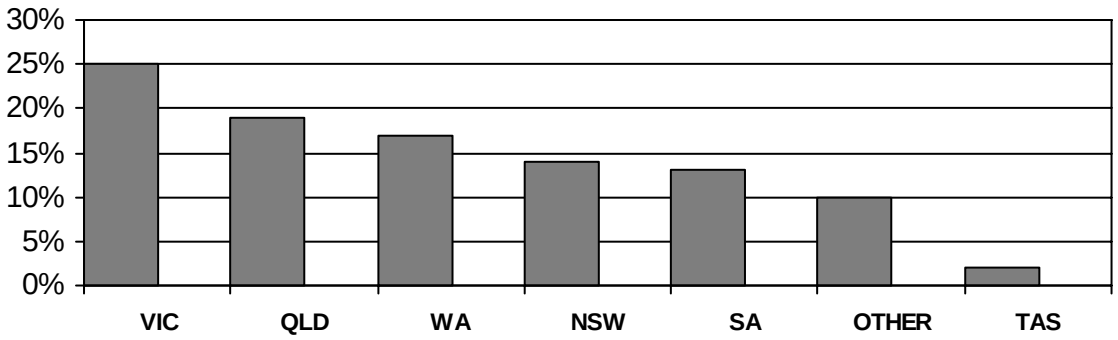
Figure 8.2:Agricultural production of Victoria compared to other States



Source: *Hon. J Helper, MLA, Minister for Agriculture, 2009-10 Budget Estimates hearing, 14 May 2009, slide presentation.*

Similar to the higher agricultural production, food and fibre exports from Victoria led Australian States and Territories and were worth $7.02 billion in 2008 and accounted for 25 per cent of the total Australian exports in this sector.

Figure 8.3:Food and fibre exports from Victoria compared to other States



Source: *Hon. J Helper, MLA, Minister for Agriculture, 2009-10 Budget Estimates hearing, 14 May 2009, slide presentation*

223 ibid., pp.2-3
224 ibid.

In line with previous years, examining the budget from a regional and rural perspective, the Committee was interested in gaining an appreciation of:

- the challenges facing regional and rural Victoria;
- the assumptions upon which the budget is based in order to drive growth and opportunities throughout regional and rural communities;
- the apportionment of the budget among the six geographical segments of Victoria and departments compared to the Melbourne metropolitan region and prior years;
- the specific new responses contained in the budget and associated funding (in the form of government-wide as well as individual output and asset initiatives) that are targeted at regional and rural Victoria; and
- how the government has responded to past recommendations made by the Committee in this area, primarily in relation to ways in which disclosure could be enhanced in the Budget Papers.

8.2 Follow-up of last year's matters

In the *Report on the 2007-08 Budget Estimates – Part Three*, the Committee made three recommendations and these recommendations together with the Government response to each of them is presented in the following table:

Government's Response to the PAEC Report no. 80, 2008-09 Budget Estimates				
Chapter 8: Regional Victoria initiatives and related issues				
PAEC Recommendation	Response	Action taken	Further Action Planned	Committee's Comments
Recommendation 13 (Page 110)				
From 2009-10, a new budget paper providing a comprehensive overview of the State government programs and initiatives, for regional and rural Victoria, be provided.	Under review	Through various Budget Papers, including the *Budget Overview* and *Budget Information paper No. 1*, the Government currently reports on the initiatives that are specifically targeted to each of the six regional geographic segments in Victoria. Further, the Government publishes progress reports on the implementation of regional-specific programs, such as *Provincial Victoria*. State-wide initiatives are not currently included in these regional reports as the impacts of such initiatives cannot be reliably dissected between the regions and metropolitan areas. For the 2008-09 Budget, the Department of Treasury and Finance conducted a review of the Budget Papers. The purpose of the review was to improve the effectiveness and readability of the papers. The key changes arising from this review is that Budget Paper No. 2 was restructured to provide greater information on the PNFC section and the impact of risks on estimates.	The Department of Treasury and Finance will continue to review the structure and contents of the Budget Papers. As part of this review, consideration will be given to the manner in which regional initiatives are reported.	The Committee would appreciate being kept informed of developments in this area and considers that a separate and new budget paper focussed on regional and rural Victoria would represent a significant and progressive initiative. Further, such reporting would signal the Government's commitment to enhancing and consolidating budget information pertinent to regional and rural communities.

PAEC Recommendation	Response	Action taken	Further Action Planned	Committee's Comments
Recommendation 14 (Page 121)				
The Department of Treasury and Finance monitor weather patterns and ground conditions and determine any required additional budgetary measures for drought relief. Commitments should be detailed in the Budget Update.	Accepted in principle	The Department of Treasury and Finance monitors primary industry conditions as part of its activities in monitoring and forecasting trends in the Victorian economy. The Department of Treasury and Finance is also a member of the Drought Interdepartmental Coordination Group (DICG) which advises the ministerial drought coordination and appropriate drought assistance. As with all post-budget funding decisions, new commitments will be published in the *2008-09 Budget Update* or 2009-10 Budget, where appropriate.	No further action is planned at this time.	No formal comment.
Recommendation 15 (Page 122)				
To ensure that the approved allocation of funding to the Regional Infrastructure Development Fund is fully committed and spent in a timely manner, the Government will need to accelerate the number of announced projects over the next two years.	Reject	Regional Development Victoria (RDV) has historically committed Regional Infrastructure Development Fund (RIDF) allocation in accordance with annual budget phasing. The number of RIDF funded projects approved in 2006-07 and 2007-08 have increased significantly compared to previous years. Actual expenditure of funding typically lags behind these approvals. This is reflective of the long lead time required for infrastructure projects and the milestone and performance based funding agreements that are a feature of the RIDF.	Through the RIDF, RDV continue to support projects that deliver economic benefits to regional Victoria. RDV will continue to work to ensure that the RIDF allocation is committed to approved projects in accordance with the agreed budget phasing. Expenditure will continue to follow approvals based on agreed project milestones.	The Committee maintains that the Government's remaining approved allocations from the RIDF up to 2009-10 be committed and spent in a timely manner.

Source: Government response to the PAEC Report No 80, 2008-09 Budget Estimates

The Committee reiterates its view that there should be a separate budget paper on State government programs and initiatives for regional and rural Victoria.

Recommendation 17: **From 2010-11, a new budget paper, providing a comprehensive overview of State Government programs and initiatives for regional and rural Victoria, be provided.**

8.3 Regional funding initiatives in the 2009-10 Budget

The Victorian Budget 2009-10 *Overview Building Jobs, Building Victoria* chapter includes a section dedicated to *Regional Victoria*. This section of the Victorian Budget states that;

> *Regional Victoria continues to receive strong support from the Government and in order to ensure that regional industries, businesses and communities are well placed to cope with – and emerge from the Global Financial Crises, the 2009 State Budget invests in projects and initiatives that will drive further jobs and economic growth across Victoria's regions.*

The Government has continued funding a number of previous initiatives and also commenced new initiatives aimed at development in regional Victoria. In addition to the Bushfire rebuilding and recovery related investment the budget allocated funding for support for small regional towns, farmers and farming communities affected by drought.

Regional funding initiatives are detailed in a variety of ways throughout the Budget Papers. Some are specific to regional locations whereas others are included in 'across Victoria' designations. Funding is specifically detailed in the following areas:[225]

- *Linking rural, regional and metro Victoria*; The 2009 State Budget continues the Government's investment in the transport links needed to underpin regional economic growth, support key regional industries, and connect communities with each other and with Melbourne;
- *Improving health services in regional Victoria*. The Government continues to improve and expand health services and facilities across regional Victoria;
- *Standing by Victoria's farmers*. The Government continues to stand by Victorian farmers as they cope with the longest drought on record and a tough global trading environment. Building on the significant investment provided in the 2008 budget for primary industries, the 2009 State Budget delivers a further $145 million to support farmers and farming communities; and
- *Support for regional industries and communities.* The budget continues the Government's commitment to supporting regional economic growth and development.

The Budget announced funding of $6.5 billion over five years for service delivery objectives as set out under *Growing Victoria Together*. Additional state-wide funding supports Victorian Government schools, sustains the capacity of health and hospital services and assists disadvantaged Victorians including the regional and rural communities in Victoria.

In response to the February 2009 Victorian bushfires, the Government has taken swift action to assist people to get their lives back on track and for communities to begin the important rebuilding process. The budget includes funding of $908 million over five years and $78 million TEI for bushfire response and recovery. The bulk of this funding is directed to regional and rural Victoria.

The *2009-10 Budget* provides $1.1 billion over five years and $177 million TEI for health and hospital services including funding provided by the Commonwealth under National Partnership agreements. This includes funding to expand hospital and health workforce reforms, and increase rural and regional dental services.

The Budget allocates $7.5 million for the *Local Roads to Markets* program and will upgrade roads to support Victoria's agricultural, horticultural and timber industries and $10 million for the Small

225 Department of Treasury and Finance, *Budget 2009-10 Overview* Building jobs. Building Victoria p.23.

Towns Development Fund to invest in infrastructure and boost jobs in small regional towns affected by drought.

The *Report on the 2009-10 Budget Estimates, Volume One, Part One* of the Public Accounts and Estimates Committee[226] provides details of responses from all the key departments to the Committee's two regional and rural consideration questions:

- What are the critical issues facing regional and rural communities in 2009-10 that depend on services provided by the Department?
- How does the Department's 2009-10 budget address these issues?

High priority initiatives identified by those Departments and allocated funding in 2009-10 budget are summarised and presented in the Table 8.3.

Table 8.3:High priority initiatives for regional Victoria in 2009-10 Budget.

2009-10 Budget initiative	Department	Funding 2009-10 ($ million)
Securing and Developing Services to Farmers	Primary Industries	18.5
Weeds and pests management initiative in public and private lands	Primary Industries	7.6
Food bowl Modernisation Project (Stage One)	Sustainability and Environment	153.7
Fire suppression and response activities	Sustainability and Environment	344
Regional Infrastructure Development Fund (RIDF)	Innovation, Industry and Regional Development	80.2
Provincial Victoria Growth Fund	Innovation, Industry and Regional Development	39.28
Regeneration - to improve education outcomes	Education and Early Childhood Development	32.8
Securing the Future of small Rural Schools	Education and Early Childhood Development	16.0
Modernisation of nine regional or rural schools	Education and Early Childhood Development	20.7
Warrnambool Hospital Redevelopment – Stage 1B	Human Services	24.5
Nathalia District Hospital and Aged Care Redevelopment	Human Services	8.6
Latrobe Community Health Service-Morwell Redevelopment	Human Services	9.0
Bendigo Residential Aged Care Facility Replacement	Human Services	9.5

Source: Departmental responses to the Committee's 2009-10 Budget Estimate questionnaire.

[226] Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates – Part One – Volume One* , June 2009, Appendix 1

8.3.1 Social impact of the drought

The Budget Papers noted that the economy of regional Victoria is dealing with the challenges posed by the global financial crisis, prolonged drought and the most devastating bushfires on record in February 2009. These incidences, largely beyond the control of government, have caused severe disruptions to economic and social activity in regional Victoria, particularly agricultural production, forestry and tourism. At the budget hearing the Minister for Agriculture stated that: [227]

> *We have had well below average rainfall for eight consecutive years, and this is the longest drought in Victoria on record. It paints a bleak picture and unfortunately this pattern does not appear to be improving.*

Drought has had significant economic and social impacts on communities in many parts of regional Victoria. The drought has reduced the income both from farming and off-farm activities. The 2006 Census report of the ABS found that the median household income for farming families in Australia was $1,122 per week. Negative or nil income was reported by 3 per cent of farming families as compared with 1 per cent of all households Australia-wide. When adjusted for differences in household sizes, the median household income for farming families was lower than that for all Australian households ($605 per week as compared with $649 per week). [228]

In 2008, the Commonwealth Minister for Agriculture, Fisheries and Forestry appointed a seven member Expert Social Panel (the Panel) to assess the social impact of drought on farm families and rural communities and to identify areas for improvement in Australian, state and territory government social support services, designed to mitigate the impact of drought on farm families and rural communities. The Panel heard consistent evidence that some marriages were breaking down in rural communities under the combined strain of physical separation enforced by the need to earn off-farm income and the debt-burden on the farm due to drought. [229]

The Panel's study found that, compared against the Australian population, people working in agriculture in drought affected areas were:[230]

- approximately 40 per cent more likely to report feeling less satisfied with their future;
- approximately 12-16 per cent less likely to be satisfied with their life as a whole and their standard of living;
- approximately 14 per cent less likely to feel satisfied with their future security;
- approximately 8 per cent less satisfied with their religion or spirituality;
- the same research presented evidence on the day-to-day impacts of drought on the health and wellbeing of rural Australians. Most of the evidence relates to stress related health impacts including;
- increased anxiety about finances, family and the future;
- increased feelings of sadness at experiencing stock losses, failed harvests and dying orchards;

227 Mr J Helper, MP, Minister for Agriculture, 2009-10 Budget Estimates hearings, transcripts of evidence, 14 May 2009 p.2

228 Australian Bureau of Statistics, *A Picture of the nation*, 2006, p.164

229 Department of Agriculture, Fisheries and Forestry, Drought Policy Review Expert Social Panel, *It's About People: Changing Perspective. A Report to Government by an Expert Social Panel on Dryness*, September 2008, p.32

230 ibid.

- children experiencing increased anxieties as they witness their parent's growing levels of stress and depression;
- increased feelings of isolation as financial constraints and depression result in them withdrawing from community activities and emotionally from family relationships;
- poor sleeping patterns;
- increased suicidal thoughts and actions;
- high blood pressure; and
- increased consumption of alcohol.

Based on such findings, the Committee accepts that many of the above findings are likely to be common to drought affected communities in regional Victoria. The Committee considers that drought-specific, or focused, human support services are a key resource which could be better harnessed for the ongoing long-term benefit of farm families, rural businesses and communities in Rural and Regional Victoria.

Recommendation 18: **The Government investigate the social and economic impact of drought on families in regional Victoria and develop specific response strategies aimed at mitigating the severity of these impacts.**

CHAPTER 9: DEPARTMENTAL OUTPUT STRUCTURES AND PERFORMANCE MEASURES

Key findings of the Committee:

9.1 **It is an important budgetary requirement that Government departments develop output statements and performance measures covering all major activities and spending of their major projects and programs for inclusion in the Budget Papers.**

9.2 **In the 2009-10 Budget Papers, there is a net decrease of 47 output measures compared with the 2008-09 Budget Papers. The total performance measures identified in the 2009-10 Budget Papers is 1,131, including 176 new measures. A total of 223 performance measures have been discontinued in the 2009-10 year compared with the previous budget year.**

9.3 **The Committee identified that while brief explanations were provided for the discontinuation of performance measures, in some instances such changes were not adequately explained.**

9.4 **Seven government departments reported a net reduction in the number of performance measures in the 2009-10 Budget Papers and three departments have increased the number of their performance measures.**

9.5 **The Committee noted that while the Committee's Recommendation 10 in its Report on the 2008-09 Budget Estimates – Part Three was accepted by Government in principle, the 2009-10 Budget Paper No. 3, Service Delivery, does not incorporate a tabular presentation of annual global movements in new and discontinued output measures as recommended.**

9.6 **The Committee looks to future Budget Papers incorporating a tabular presentation of annual global movements in new and discontinued output measures, categorised according to quantity, quality and timeliness measures to enhance clarity and accountability in reporting.**

9.7 **The Committee considers that given the increasing impact of global warming and climate change issues becoming important and making significant impacts on socio-economic and investment related decision making, a review by the Department of Treasury and Finance of sustainability and environment related performance indicators and reporting guidelines would be timely and pertinent.**

9.1 Introduction

In order to facilitate policy judgments on budgetary allocations and enhance accountability of government spending, performance measures need to be guided by sound principles. Performance indicators should focus on outcomes from the provision of government services, reflecting whether service objectives have been met as expected. The Committee discusses this in detail in its report on *New Directions in Accountability Inquiry into Victoria's Public Finance Practices and Legislation*.[231]

Consistent with the Government's ongoing commitment to improving accountability and as the basis for departmental revenue certification, output and performance measures of the departments are assessed annually for their continuing relevance and robustness.[232] The Government manages delivery of its annual budget according to an accrual output based framework, whereby departments are required to develop output statements and performance measures for inclusion in the Budget Papers.

The Committee remains interested in the accuracy and relevance of output performance measures used in the development of the State budget, the progressive monitoring and reporting of departmental performance in the delivery of outputs, and the revenue certification process.

As indicated in the Committee's *Inquiry into Victoria's Public Finance Practices and Legislation:*[233]

> *If the Budget Papers are to be enhanced by placing a greater focus on outcomes, with the linking of the budget resources required to produce the individual outputs to the individual outcomes the Government aims to achieve, the current performance indicators and targets should be reviewed to ensure that they are relevant and appropriate within this changing framework.*

Increasingly, the Auditor-General and the Committee have presented reports to Parliament which incorporate comment on government departments' output frameworks and the adequacy of performance measures in place for capturing key aspects of output delivery.[234] Also the Productivity Commission's *Report on Government Services* states that effectiveness indicators measure how well the outputs of a service achieve the stated objectives of that service and tend to focus on access, appropriateness and/or quality.[235]

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231 Public Accounts and Estimates Committee, *New Directions in Accountability, Inquiry into Victoria's Public Finance Practices and Legislations*, June 2009

232 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.441

233 Public Accounts and Estimates Committee, *New Directions in Accountability, Inquiry into Victoria's Public Finance Practices and Legislations*, June 2009

234 Victorian Auditor General's Office, *Parliamentary Appropriations: Output Measures*, November 2007

235 Productivity Commission, *Report on Government Services – Volume One*, January 2008, Victoria.

9.2 Development of output performance measures

As part of the budget process, Departments are required to develop output statements and performance measures for inclusion in Budget Paper No. 3, *Service Delivery*. As indicated in the Committee's report *New Directions in Accountability Inquiry into Victoria's Public Finance Practices and Legislation*, in order to achieve effective public accountability in the public sector: [236]

> *The performance information to be disclosed should extend beyond financial information to encompass both financial and non financial information. For reported performance information to be effective, performance indicators and targets must be relevant and appropriate, and reported results should be based on reliable information and presented in a fair manner.*

Based on its findings for the Inquiry into Victoria's Public Finance Practices and Legislation, the Committee noted that for performance reporting to be effective, individual departments and agencies need to identify, at the commencement of performance cycle, what is planned to be delivered. At the end of the cycle, departments and agencies need to report what has actually been delivered compared with their planned activities.

Performance reporting should be based on reliable data, which, if required, could be replicated by independent observers to produce similar results.[237]

9.3 Performance measures in the 2009-10 Budget

The Government's annual Budget Paper on Service Delivery outlines the nature of departmental outputs and their relationship, through specification of performance measures, with the service delivery obligations of departments. The Budget Papers further disclose for each performance measure the target specified for 2009-10 compared with the equivalent target for 2008-09. They also identify new measures introduced for the year and any measures discontinued by departments, with a brief description of the reasons for any changes.

Detailed information on all outputs to be delivered by departments, including associated measures of quantity, quality, timeliness and cost, is contained in Chapter 3 and a full report on all *Growing Victoria Together* measures of progress is included in Appendix B, Growing Victoria Together Progress Report.[238]

The Committee's investigation and analysis of the 2009-10 Budget Papers identified a total of 1,131 output measures reported by all departments under quantity, quality and timeliness categories and a summary of these is presented in Table 9.1.

For all the departments except for the Department of Education and Early Childhood Development, the number of quantity measures outweighs both the quality and timeliness measure categories and the number of timeliness performance measures are approximately half the number of quantity performance measures across all the departments.

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236 Public Accounts and Estimates Committee, *New Directions in Accountability, Inquiry into Victoria's Public Finance Practices and Legislations*, June 2009, p.60

237 ibid., p.71

238 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.46

Table 9.1: Output measures targeted by Victorian government departments 2009-10

Department	Quantity	Quality	Timeliness	Total
Human Services	118	60	36	214
Transport	84	37	71	192
Planning and Community Development	51	33	25	109
Premier and Cabinet	48	28	21	97
Justice	41	27	22	90
Innovation, Industry and Regional Development	57	24	5	86
Treasury and Finance	38	18	28	84
Sustainability and Environment	42	19	18	79
Education and Early Childhood Development	35	36	2	73
Primary Industries	35	10	17	62
Parliamentary Departments	17	16	12	45
Total (all Departments)	**566**	**308**	**257**	**1,131**
Percentage of total measures (per cent)	**50**	**27**	**23**	**100**

Source: Department of Treasury and Finance, Budget Paper No. 3, 2009-10 Service Delivery

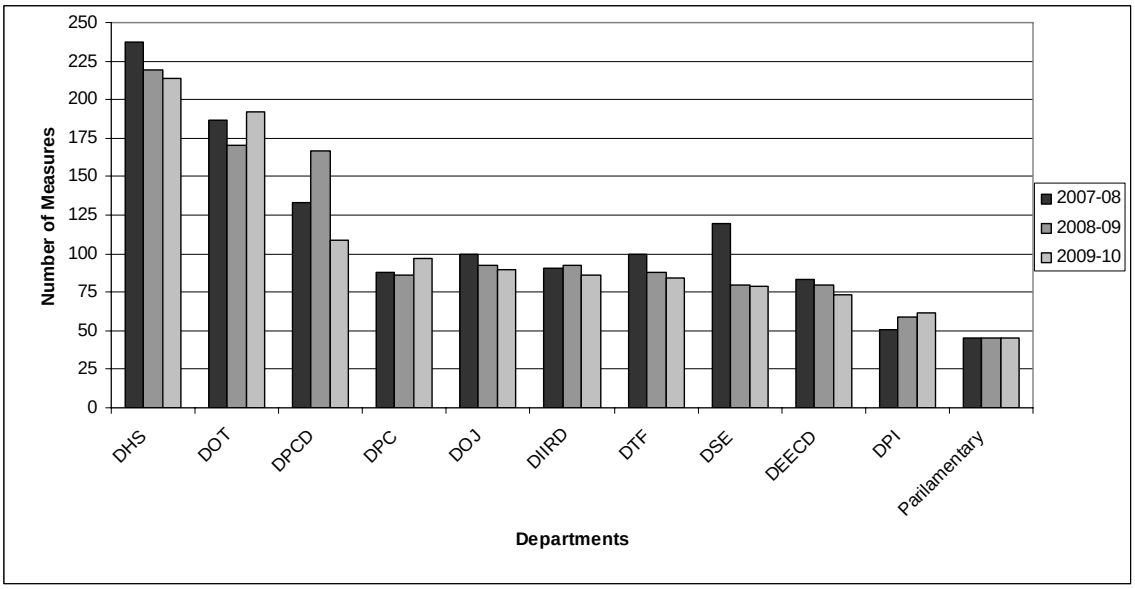
The Committee also noted a reduction in the total number of output measures targeted by departments over the last few years. Table 9.2 and Figure 9.1 summarise this position over the period 2007-08 to 2009-10.

Table 9.2: The number of output performance measures adopted by departments in 2009-10 compared with 2007-08 and 2008-09

Department	Total performance measures in 2007-08 Budget (Number)	Total performance measures in 2008-09 Budget (Number)	Total performance measures in 2009-10 Budget (Number)
Human Services	237	219	214
Transport	187	170	192
Planning and Community Development	133	167	109
Premier and Cabinet	88	86	97
Justice	100	92	90
Innovation, Industry and Regional Development	91	92	86
Treasury and Finance	100	88	84
Sustainability and Environment	120	80	79
Education and Early Childhood Development	83	80	73
Primary Industries	51	59	62
Parliamentary Departments	45	45	45
Total (all Departments)	**1,235**	**1,178**	**1,131**

Source: Department of Treasury and Finance, Budget Paper No. 3, Service Delivery, May 2007, May 2008 & May 2009

Figure 9.1: The number of output measures targeted by Victorian government departments 2007-08 to 2009-10



Source: Department of Treasury and Finance, Budget Paper No. 3, Service Delivery, May 2007, May 2008 & May 2009

The Committee noted that as a result of machinery of government changes, some departments had changed a number of their performance measures. For example, the Victorian Multicultural Commission and Multicultural Affairs outputs have been transferred to the Department of Premier and Cabinet from the Department of Planning and Community Development. The Department of Planning and Community Development introduced some new measures due to the transfer of responsibility for the Disability Advocacy Program from the Department of Human Services.

The Budget Papers also present the details of discontinued performance measures for the 2009-10 Budget year. The Committee noted that out of the 223 discontinued measures presented in the Budget Papers, 101 are quantity measures, 65 are quality measures and 57 are timeliness measures. The Department of Planning and Community Development registered the highest number of discontinued output measures, 101 for the 2009-10 Budget year. Table 9.3 presents the department breakdown of discontinued output measures by department.

Table 9.3: Discontinued output measures 2009-10 viz 2008-09

Department	2009-10 Quantity	2009-10-Quality	2009-10 Timeliness	2009-10 Total	2008-09 Total
Planning and Community Development	46	27	28	101	19
Transport	8	4	16	28	41
Innovation, Industry and Regional Development	12	8	3	23	25
Education and Early Childhood Development	6	15	2	23	28
Justice	9	2	3	14	18
Human Services	7	4	1	12	7
Primary Industries	8	1	2	11	11
Premier and Cabinet	1	3	2	6	2
Sustainability and Environment	2	1	0	3	49
Treasury and Finance	2	0	0	2	33
Total (all departments)	**101**	**65**	**57**	**223**	**233**
Percentage of total discounted measures	**45**	**29**	**26**	**100**	**100**

Source: Victorian Budget 2009-10 Service Delivery Budget Paper No. 3 Appendix C

9.4 The role of sustainability measures in the performance measurement of the government departments

Responsible organisations are increasingly using environmental measures to complete their socio-economic performance credentials. While acknowledging the complexity and difficulties associated with sustainability and environment related qualitative performance measures and some progress made in both the private and public sectors in sustainability related reporting, the Committee noted that the use of sustainability, environmental or social responsibility related measures and reporting by government departments and agencies could be extended. The Committee notes the Government's commitment to 'triple bottom line' reporting and believes that there is scope for such reporting to be more systematic.

The Committee is of the view that there is a variety of economic and social drivers that contribute to the sustainability reporting requirements in Australia and around the world. These include international reporting initiatives, the pursuit of environmental performance ratings, carbon trading and changing legislative requirements. Increasingly, private and even public organisations are reporting on their environmental performance as an integral part of their annual reporting process, or in response to various stakeholder requirements.

In addition to the Government's commitment to 'triple bottom line' reporting, the drivers for public sector agencies becoming more engaged in sustainability reporting include the growing recognition of its potential benefits and pressure from various stakeholders, including environment related organisations, for public agencies to disclose their sustainability measures.

The Committee notes that the Department of Treasury and Finance reporting guidelines include a range of sustainability and environment related performance measures for departments. The Committee is of the view that the sustainability and environment related performance measures would benefit from a review to enhance the performance measurement process of the Budget and improve accountability in this important dimension of public disclosure.

Recommendation 19: **The Department of Treasury and Finance review current sustainability and environment related reporting guidelines and performance indicators.**

9.5 Net impact of 2009-10 Budget new output initiatives

As reported in Chapter 2, the information disclosed in Budget Paper No. 2, *2009-10 Strategy and Outlook*, relating to new output initiatives per department and their net financial impact on the budget[239] differs from the sum of the gross amounts for each new initiative in the tables for each department in Budget Paper No. 3, *2009-10 Service Delivery*, Appendix A. This difference is explained in Budget Paper No. 2 which states that in regard to the information presented in relation to the net financial impact of the new output initiatives:[240]

> *These numbers show the net impact on the general government sector net result from transactions and differ from Budget Paper No. 3, Appendix A, as amounts funded from internal reprioritisation or other existing sources have been deducted from the figures above.*

The Committee believes that in the interests of enhancing the transparency of the Budget, there would be merit in the Budget Papers disclosing a reconciliation of the differences in the figures for new output initiatives shown in Budget Paper No.s 2 and 3 for each department. Such a reconciliation would assist readers understand the nature of the terms 'internal reprioritisation' and 'other existing sources'.

Recommendation 20: **The Department of Treasury and Finance present in the Budget Papers a reconciliation of the differences in the figures for new output initiatives shown in Budget Paper No. 2 relating to the net impact of new output initiatives for each department and Budget Paper No. 3 that discloses the sum of gross amounts for each new initiative.**

239 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.45

240 ibid.

CHAPTER 10: DEPARTMENTAL WORKFORCE – COMPARATIVE ANALYSIS

Key findings of the Committee:

10.1 The maintenance of appropriate staff numbers employed by government sector departments and agencies is required to achieve expected project and program outcomes and the development of a skilled and experienced workforce is essential for succession planning.

10.2 Any significant increase or decrease in staff numbers and associated expenditure in government sector departments and agencies should be explained.

10.3 Over the two year period of July 2008 to June 2010, the Department of Transport, Department of Planning and Community Development and Department of Justice are expected to increase their staff numbers by 15.7 per cent, 13.2 per cent and 9.2 per cent respectively while numbers are set to decline in the Department of Premier and Cabinet and the Department of Primary Industries by 3.0 per cent and 2.6 per cent respectively.

10.4 The analysis of staff numbers in departments indicates that during the period between 1 July 2008 and 30 June 2010, the aggregate number of ongoing and fixed term staff is expected to rise slightly. The aggregate number of casual staff, which decreased between 2008 and 2009, will remain steady over 2009 and 2010 period.

10.5 The Committee found that during the period from July 2008 to June 2010, it is expected that all government sector departments and agencies will increase their full-time equivalent staff numbers by 1,973 and 4,442 respectively. This is an increase of 6.1 per cent and 3.2 per cent over the period under consideration.

10.6 The Committee recognises that it is important to enhance the quality of the workforce, improve the retention levels of skilled employees, and implement innovative work practices in all government sector departments and agencies.

10.1 Introduction

'Workforce development' has been used as an umbrella term for a wide range of workforce improvement strategies and activities including training, policies, and programs that organisations can put in place to support them in achieving their objectives or maximising the skill base of their employees. The 2009-10 Budget Papers indicate that:[241]

> *In the last decade, the Government has invested in more quality jobs and thriving, innovative industries across Victoria by: enhancing the productivity and competitiveness of Victoria's economy and workforce by encouraging greater workforce participation and focussing on improving the skills of Victorians.*

As part of its *2009-10 Budget Estimates* Inquiry the Committee again sought information from departments on their actual full-time equivalent (FTE) staff numbers as at 30 June 2008 and the expected staff numbers as at 30 June 2009 and 30 June 2010. FTE employment encompasses the

241 Department of Treausry and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.47

number of FTE jobs in an organisation, defined as total hours worked by all staff divided by the required number of annual hours to be worked in a full-time job. Accordingly, an FTE of 1.0 means that the person is equivalent to a full-time worker, while an FTE of 0.5 signals that the worker is only half-time. FTE is one of the key metrics for measuring the contribution of total workforce and the size of the workforce within an organisation.

The Committee aimed to identify the trends in staff numbers within government sector departments and agencies, using a variety of data sources and additional information provided by departments. This included information and matters impacting on staffing numbers due to machinery of government changes and targeted efficiency savings. Staffing costs are considered as one of the key components of output and recurrent expenditure for government sector departments and agencies.

All government sector departments and agencies are expected to continuously review their staffing profiles under various projects and programs, for efficiency and effectiveness. The Committee considers that the FTE number of staff is an important raw indicator of efficiency and effectiveness for government sector departments and agencies. The Committee recognises the importance of continuous enhancements and improvements in workforce management practices.

With the productivity improvement engendered by departments, the Committee is of the view that, over time, a direct connection to benefits or savings should be realised. The Committee also looks to explanations detailed by departments and agencies in relation to any significant increase or decrease in staff numbers and expenditure associated with such movements.

10.2 Changes inf staff numbers in government departments

Information provided by each department in relation to their staff numbers was incorporated in the Committee's *Report on the 2009-10 Budget Estimates – Part One, Volume One*, tabled in Parliament in June 2009. For the purpose of this analysis, the information provided by individual departments with regard to the departmental staff numbers has been presented as aggregate FTE staff numbers along with their expected percentage movements between 30 June 2008 and 30 June 2010 (refer Figure 10.1).

When the aggregate total of estimated staff numbers of all government departments as at 30 June 2009 is compared with 30 June 2010, the Committee notes an increase of 444 FTE, which is equal to a 1.3 per cent increase over this one year period. In relation to individual departments for this period of time, the Committee observed that three departments, namely the Department of Transport (DOT), the Department of Planning and Community Development (DPCD) and the Department of Justice (DOJ) are expected to increase their staff FTE numbers by 3.8 per cent, 2.9 per cent and 2.1 per cent respectively.

The Department of Innovation, Industry and Regional Development (DIIRD), Parliamentary Departments and the Department of Sustainability Environment (DSE) did not expect any considerable increase in staff numbers between 30 June 2009 and 30 June 2010. DIIRD stated that: [242]

> *The Department anticipates that the staff numbers as per 30 June 2009 may change but it is not possible to provide details of overall staff numbers at this point.*

Figure 10.1 shows that, during the two year period from June 2008 and June 2010, a total increase of 1,973 FTE staff numbers is expected across all government departments. This represents an approximate 6 per cent increase over the period under consideration.

[242] Department of Innovation, Industry and Regional Development, response to the 2009-10 Budget Estimates questionnaire, 12 May 2009, p.45

In relation to the estimated FTE staff numbers to 30 June 2010 as provided to the Committee by individual departments, compared with actual FTE staff numbers as at 30 June 2008, the Committee observed that over this two year period, the Department of Transport (DOT), Department of Planning and Community Development (DPCD) and Department of Justice (DOJ) expected to increase their FTE staff numbers by 15.7 per cent, 13.2 per cent and 9.2 per cent respectively. In contrast, during the same period of time, the Department of Premier and Cabinet (DPC) and the Department of Primary Industries (DPI) expected to reduce their FTE staff numbers by 3.0 per cent and 2.9 per cent respectively.

As a part of the *2009-10 Budget Estimates* question on departments' staff numbers all government departments were asked to provide the details on the composition of their staff numbers in terms of their employment status, whether ongoing, fixed term, casual and funded vacancies categories. While 8 out of 11 departments did not provide any numbers on funded vacancies in their departments, some departments indicated that they do not have such data. DPCD stated that: [243]

> *The department is unable to provide data on funded vacancies as no such category exists. A position does not become vacant but rather ceases, with the departure of its incumbent, and the secretary at his discretion, may not choose to engage another person to undertake the same or other duties depending on the needs of the Department.*

The DOT also mentioned that: [244]

> *Details of funded vacancies (are) unavailable. Jobs are filled in accordance with project needs and availability of funding. Vacancies arise when occupants cease employment.*

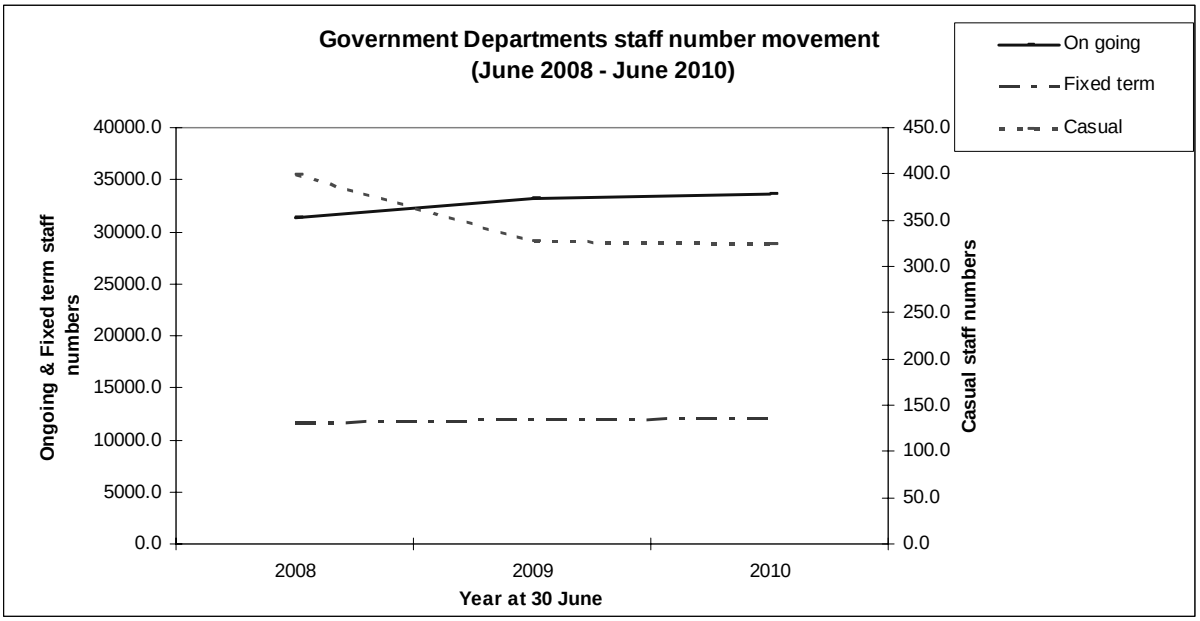
Recommendation 21: **The Department of Treasury and Finance considers the development of appropriate guidelines for the determination of 'funded vacancies' in public sector so that government agencies can report on their staff numbers in a comprehensive and consistent manner.**

The aggregated movements of the ongoing, fixed term and casual staff numbers across all government departments for 2008 to 2010 are presented in Figure 10.1. As evident from the analysis, over the two year period between 30 June 2008 and 30 June 2010, the aggregate number of ongoing and fixed term staff is expected to marginally increase. However the aggregate number of casual staff, which is much smaller in size, has decreased between 2008 and 2009, and is expected to become steady over 2009 and 2010 period.

243 Department of Planning and Community Development, response to the 2009-10 Budget Estimates questionnaire, May 2009, p.43

244 Department of Transport, response to the 2009-10 Budget Estimates questionnaire, May 2009, p.36

Figure 10.1: Number of ongoing, fixed term and casual staff across all government departments



Note: *figures do not include school staff and public hospital and age care centres staff.*

Source: *Responses from the departments to the Committee's 2009-10 Budget Estimates questionnaire May 2009.*

It was highlighted in a 2006 report prepared by the National Reform Initiative Working Group for COAG that: [245]

> *Enhancing workforce participation and productivity will require the development of the capabilities of the Australian people – our 'human capital'. Senior officials recommend that COAG endorse a new National Reform Agenda to enhance workforce participation and productivity by building the nation's human capital. It will have a major impact on the living standards of Australians, and generate significant dividends for the Australian economy. It is an agenda that is both good for people and good for the economy.*

The Organisation for Economic Cooperation and Development (OECD) has described human capital as the fundamental building block for growth strategies in the knowledge-based economy.[246]

The Committee noted that a number of recent studies and surveys conducted by the State Services Authority have indicated that there is a risk of losing mature age and experienced workers from the public sector to other employment. The Retirement, Retention and Resignation Survey (2004) of the State Services Authority found that while 40 per cent of workers over 50 are intending on leaving the Victorian Public Service (VPS) in the next 10 years (2004 – 2014), 54 per cent will be seeking further paid employment.[247] The Committee's view is that government sector departments and agencies need to monitor and analyse their staff structures and indicative trends more closely, and use such information for workforce planning and future strategy development.

245 Council of Australian Governments, *Human Capital Reform: Report by COAG National Reform Initiative Working Group*, 10 February 2006, p.2

246 Organisation of Economic Cooperation and Development, *Micro-Policies for Growth and Productivity: Final Report*, 2005, p.9

247 State Services Authority, *Research Paper –Understanding the workforce planning challenges facing the Victorian public sector*, State Government of Victoria, 2006, p.27

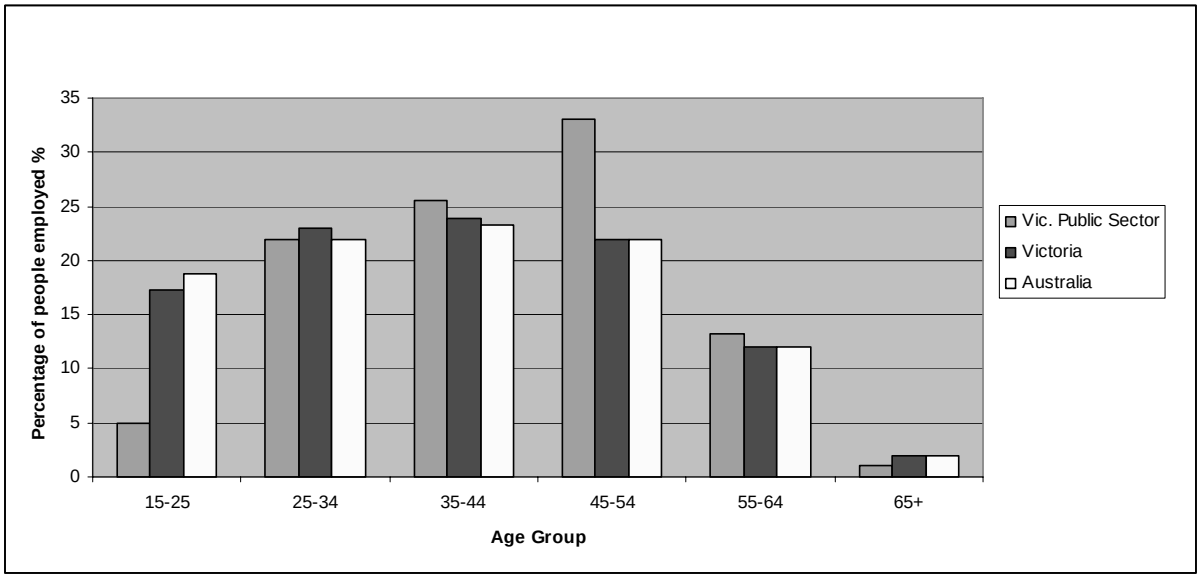
According to the Victorian State Services Authority (2008),[248]

> *The public sector represents nine per cent of Victoria's workforce and has an older age profile than the rest of the workforce. In Australia's ageing population, where workforce growth is being concentrated in the over 45 age group, this workforce profile will continue to become older.*

It is evident from the above findings of the Victorian State Service Authority and data presented in Figure 10.2 below, that the proportion of mature age work force within the VPS is higher than the general Victorian and Australian employment profile. In acknowledging the importance of developing a capable departmental workforce in Victoria, the Committee considers that government sector departments and agencies should plan and integrate their efforts to build a strong, inter-generational skilful workforce for the future.

The Committee is interested in seeing future evidence of detailed resource planning for the retention of skilled and experienced staff and pro-active succession planning at all operative levels for each government sector department and agency.

Figure 10.2:Victorian Public Sector, Victorian and Australian workforce age profile comparison 2006



Source: Reproduced from Victorian State Services Authority 2008 publication 'Attracting and retaining an aging workforce' P.38

The Committee foreshadows a continuing interest in workforce planning issues in its future inquiries.

248 State Services Authority, Attracting and retaining an aging workforce: A guide for Victorian Public Sector managers, State Government of Victoria, 2008, p.2

10.3 Staff numbers in major government sector departments and agencies

Information on staff numbers with respect to the major agencies under the purview of some government sector departments is published in the Committee's *Report on the 2009-10 Budget Estimates – Part One* (June 2009).

Table 10.1 presents the aggregate FTE numbers provided by government sector departments in relation to the major agencies. Table 10.1 also includes information pertaining to the expected percentage movement of aggregated FTE staff numbers in these agencies for the period between 1 July 2008 and 30 June 2010.

As evident from the table, in June 2008, the majority of the staff numbers of key budget funded agencies (120,517 out of the total of 139,135), i.e. approximately 86 per cent, belong to two major agencies, namely the public hospitals and care centres coming under the Department of Human Services and public schools under the Department of Education and Early Childhood Development.

The Committee observed that the total aggregate number of staff of major agencies has increased by 2,587 FTE between June 2008 and June 2009 and is expected to increase by 1,855 FTE between June 2009 and June 2010. In terms of percentages, the overall expected increase in FTE staff numbers of agencies between June 2008 and June 2010 is 3.2 per cent and 1.3 per cent for the period between June 2008 and June 2009. This indicates that in comparison to the 2008 and 2009 period the increasing trend of staff numbers in agencies is expected to be reduced by about 60 per cent during 2009-2010.

10.4 Conclusions and Recommendations

The aggregated movements in the ongoing, fixed term and casual FTE staff numbers across all government sector departments and agencies for the 2008 to 2010 period were used in the analysis. Other than broad movements of FTE staff numbers, the Committee considers that enhanced data such as the qualitative characteristics of the current and projected workforce and additional quantitative data in relation to entry and exit, retention rates and average years of service for each VPS grade and Executive level, would assist with improved workforce planning in the Victorian public sector.

Recommendation 22: **Government sector departments and agencies should collect and maintain qualitative and quantitative data such as entry and exit of staff, staff retention rates and average years of service for each VPS grade and executive level in each budget year. Such information should be used in the development of the department's workforce management and succession planning strategies. The department should also consider including this information in their corporate strategies reports.**

Table 10.1: Departmental staff numbers (excluding the major budget funded agencies)

June 2008 to June 2010 Full-Time Equivalent (FTE) basis

Government Department	30 June 2008 Actual FTE [a]	30 June 2009 Estimated FTE [a]	30 June 2010 Estimated FTE [a]	Variation between 2008 & 2009 (%)	Variation between 2009 & 2010 (%)	Variation between 2008 & 2010 (%)
Parliamentary Departments	589	594	594	0.8	0.0	0.8
Department of Education & Early Childhood Development	2,426[b]	2,580[b]	2,584[b]	6.3	0.1	6.5
Department of Human Services	13,471[c]	14,129[c]	14,344[c]	4.9	1.5	6.5
Department of Transport	1,074	1,197	1,243	11.5	3.8	15.7
Department of Innovation, Industry and Regional Development	994	995	995	0.1	0.0	0.1
Department of Justice	6,909	7,386	7,541	6.9	2.1	9.2
Department for Planning and Community Development	959	1,054	1,085	10.0	2.9	13.2
Department of Premier and Cabinet	361	347	350	-3.9	1.0	-3.0
Department of Primary Industries	2,577	2,519	2,503	-2.3	-0.6	-2.9
Department of Sustainability and Environment	2,605	2,685	2,685	3.1	0.0	3.1
Department of Treasury and Finance	590	596	602	1.1	1.0	2.1
Total or Percentage Average	**32,554**	**34,083**	**34,527**	**4.7**	**1.3**	**6.1**

Notes *(a)* *FTE numbers are rounded to the nearest one*

(b) *Department of Education and Early Childhood Development figures do not include school staff*

(c) *Department of Human Services figures do not include public hospitals and aged care centres staff*

Source: *Responses from Department to the Committee's 2009 -10 Budget Estimate Questionnaire (question 28)*

Table 10.2: Staff numbers for major agencies

June 2008 to June 2010 Full-Time Equivalent (FTE) basis

Budget Funded Agency	30 June 2008 Actual FTE [(a)]	30 June 2009 Estimated FTE [(a)]	30 June 2010 Estimated FTE [(a)]	Variation between 2008 & 2009 (%)	Variation between 2009 & 2010 (%)	Variation between 2008 & 2010 (%)
Public Hospitals and Aged Care Centres	68,899	70,529	71,848	2.4	1.9	4.3
Public Schools (teaching staff & school services officers)	51,618	52,165	52,425	1.1	0.5	1.6
Environmental Protection Agency	379	407	407	7.4	0.0	7.4
Parks Victoria	1,009	1,010	1,029	0.1	1.9	2.0
Sustainability Victoria	126	137	131	9.3	-4.9	3.9
Essential Services Commission	63	69	69	10.4	0.0	10.4
State Revenue Offices	452	448	464	-0.9	3.7	2.7
VicRoads	2,773	3,035	3,064	9.4	1.0	10.5
Police Recruits & Reservists	11,195	11,190	11,428	0.0	2.1	2.1
Police (Public Service & Protective Services Officers)	2,622	2,731	2,712	4.2	-0.7	3.5
Total or Percentage Average	**139,135**	**141,722**	**143,577**	**1.9**	**1.3**	**3.2**

Notes *(a) FTE numbers are rounded to the nearest one*

Source: *Responses from departments to the Committee's 2009-10 Budget Estimates questionnaire (question 28)*

CHAPTER 11: ANALYSIS OF THE GOVERNMENT RESPONSE TO RECOMMENDATIONS IN THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE REPORT ON THE 2008-09 BUDGET ESTIMATES – PART THREE

Key findings of the Committee:

11.1 **The Government has improved the level of detail provided in its response to the Committee's recommendations.**

11.2 **The Committee maintains its recommendation that the Auditor-General undertake further performance audits of the Courts.**

11.3 **There was an increase in the percentage of recommendations accepted, or accepted in principle, at 79.6 per cent from 66.1 per cent. The Government appears to have taken into account the Committee's recommendations in response to Recommendation 21 of the Report on the 2008-09 Budget Estimates – Part Three that an 'acceptance in part' response from the Government should clarify which part of a recommendation is accepted and which is not.**

11.4 **There was a 50 per cent reduction in the number of recommendations rejected by the Government.**

11.5 **Where further action is planned in response to a recommendation, the Committee would appreciate details about the review process to be undertaken.**

11.6 **There are two recommendations from the Committee's last Budget Estimates reports under review by the Government. The Committee would appreciate an update on progress against these recommendations.**

11.1 Background

Section 36 of the *Parliamentary Committees Act 2003*, requires that the Government respond to recommendations contained in a Committee report within six months of the report being tabled:

Section 36 Government responses

(1) If a Joint Investigatory Committee's report to the Parliament recommends that the Government take a particular action with respect to a matter, within 6 months of the report being laid before both Houses of the Parliament or being received by the clerks of both Houses of the Parliament, the appropriate responsible Minister must provide the Parliament with a response to the Committee's recommendations.

The Victorian Government's response to the recommendations of the Committee, made in the *Report on the 2008-09 Budget Estimates Part Three* was tabled out of session on 15 April 2009, within the required six months of the Committee's report being tabled.

11.2 Government response to recommendations

The Committee made 49 recommendations in the *Report on the 2008-09 Budget Estimates – Part Three*. The Government provided a response to all but one recommendation (Recommendation 41) which was determined to be *not applicable* as it pertained to the operations of the Auditor-General.

In relation to this recommendation made by the Committee that the Auditor-General conducts further performance audits of the Courts, the Committee subsequently sought and received a response directly from the Auditor-General to this operational matter that flowed from the Committee's inquiry into the Budget Estimates. The Auditor-General indicated that this matter should be considered as part of:[249]

- deliberations with the Committee on proposed performance audit topics to be included in the Auditor-General's Office's annual plan; and
- the announced Inquiry by the Committee into the *Audit Act 1994*.

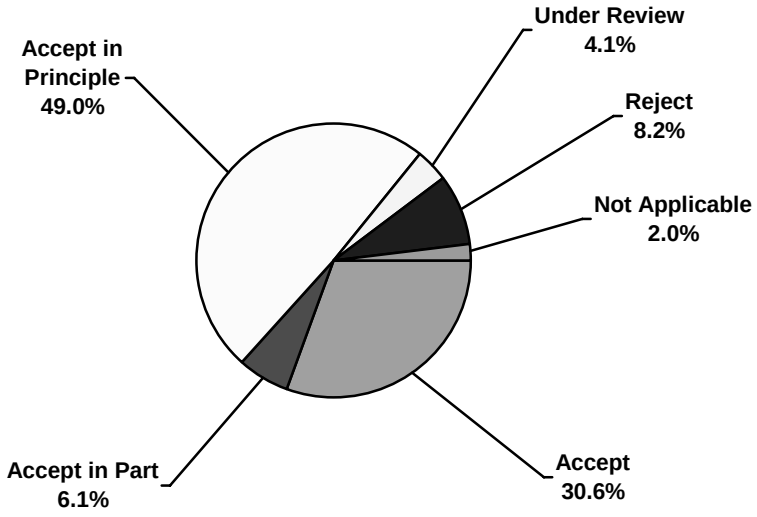
In responding to the Committee's recommendations, the Government continues to respond in five categories as follows:

- Accept;
- Accept in Part;
- Accept in Principle;
- Under Review; and
- Reject.

Figure 11.1 illustrates how the Government responded to the Committee's recommendations contained in the *Report on the 2008-09 Budget Estimates*.

[249] Mr D Pearson, Auditor-General, letter to Mr B Stensholt, Chair, Public Accounts and Estimates Committee, received 4 September 2009

Figure 11.1: Government response to the Committee's recommendations in the Report on the 2008-09 Budget Estimates



Source: Victorian Government, response to the Committee's Report on the 2008-09 Budget Estimates, tabled 15 April 2009

The recommendations made by the Committee in the *Report on the 2008-09 Budget Estimates – Part Three* focused on key themes of government policy, budget initiatives, department outputs and the *Growing Victoria Together* vision. A summary of the Government's responses in relation to government policy are listed in Table 11.1.

Table 11.1 Summary of Government responses to the Committee's Report on the 2008-09 Budget Estimates

Report Chapter	Accept			Reject	Under Review	Total
	Wholly	In Part	In Principle			
Introduction	1	-	2	-	-	3
COAG Reform Agenda and Productivity in Victoria	-	-	1	1	-	2
Departmental Asset Investment	1	-	-	1	-	2
Departmental Workforce – Comparative Analysis	1	-	-	-	-	1
Departmental Output Structures and Performance Measures	1	-	3	-	-	4
Regional Victoria Initiatives and Related Issues	-	-	1	1	1	3
Concessions and Subsidies	2	1	1	-	-	4
Analysis of the Government Response to Recommendations in the PAEC *Report on the 2007-08 Budget Estimates*	-	-	2	-	-	2
Thriving Economy	-	-	3	-	-	3
Quality Health and Education	4	1	1	-	-	6
Healthy Environment	-	-	3	-	1	4
Caring Communities	1	1	5	1	-	8[(a)]
Vibrant Democracy	4	-	2	-	-	6
Total number of recommendations	15	3	24	4	2	48[(b)]
Percentage of total recommendations	30.6	6.1	49.0	8.2	4.1	98.0[(b)]

Notes: *(a)* *within the Caring Communities chapter Recommendation 41 was deemed to be not applicable to the government as it pertained to operational aspects of the Auditor-General*

(b) *total discounts recommendation 41*

Source: *Victorian Government, Response to the Committee's Report on the 2008-09 Budget Estimates, tabled 15 April 2009*

11.2.1 Accepted recommendations

The Government used three 'accept' categories in its response to the Committee's report: *accept, accept in part*, and *accept in principle*. There was an increase in the percentage of recommendations in the 2008-09 Report accepted by the Government compared with the 2007-08 report. The increase was 5.3 per cent in the *accept* and *accept in principle* categories. Significantly, there was a 60.1 per cent decrease in the number of recommendations receiving an *accept in part* response.

Accept in Part

The Committee's previous assessment of government use of the *accept in part* response category in the *Report on the 2008-09 Budget Estimates – Part Three* recommended that more information be provided.[250] In Recommendation 21 the Committee addressed the lack of information provided with *accept in part* responses. The Committee recommended that:[251]

> *Where a Committee recommendation is accepted in part the Government responses should make clear which part they accept and which part they do not, including information about why they do not accept the particular parts.*

The Government accepted in principle this recommendation and committed to a review of its responses to Committee recommendations. The Government committed to:[252]

> *… review the responses it provides to PAEC recommendations and seek to provide further clarification of proposals in part, where practical.*

The Committee notes, and is encouraged by, the significant reduction in the number of responses in this category, a total of three from the *Report on the 2008-09 Budget Estimates – Part Three* compared with a total of nine the previous year. The Committee welcomes this development. A review of recommendations receiving an *accept in part* response is presented in Table 11.2.

Accept in Principle

The Committee also welcomes the Government's response to concerns regarding the level of action identified in *accept in principle* responses.[253] The Government provided detailed actions for 15 of the 22 (68.2 per cent) recommendations it accepted in principle. However, the Committee noted a lack of detail in responses to recommendations in the Committee's *Healthy Environment* chapter. The response *no further action was planned* was provided for the three recommendations from this chapter that were *accepted in principle*.

The frequency of the *accept in principle* response category differs between Section B – *Key Themes* and Section C – *Growing Victoria Together* in the Committee's *Report on the 2008-09 Budget Estimates – Part Three.* The Department of Treasury and Finance formulated the Government responses for Section B while Section C responses were provided by relevant government departments.

There was a consistent format in responses to recommendations from Section B with eight of 14 responses receiving either an *accept* or *accept in principle* response. The recommendations are subject to the outcomes of a major review by the Department of Treasury and Finance into public finance practices and legislation.

The Committee remains interested in the review processes and outcomes flowing from planned actions to be undertaken by the Department of Treasury and Finance in relation to those recommendations impacted by its current review of public finances practices and legislation. The Committee itself has recently tabled its report on *New Directions in Accountability, Inquiry into Victoria's Public Finance Practices and Legislation (June 2009).*

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250 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates– Part Three,* October 2008, pp.154, 157

251 ibid. p.157

252 Victorian Government, *Government Response to the Recommendations of the Public Account and Estimates Committee's 80th Report on the 2008-09 Budget Estimates*, tabled 19 April 2009, p.14

253 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates– Part Three,* October 2008, p.157

Table 11.2: Summary of recommendations from the Committee's Report on the 2008-09 Budget Estimates accepted in part by the government

Recommendation		Government response	Committee comment
16	In terms of fully disclosing the extent of revenue forgone to the State arising from the granting of concessions, including tax exemptions in the form of tax expenditures, the Department of Treasury and Finance ensure the Budget Papers contain a greater dissection quantifying the value of taxation exemptions granted, fees waived to particular groups and income not collected due to regulatory reform.	A detailed breakdown of expenditure is provided in the 2008-09 Budget and can be found in Chapter 5 of *Budget Paper No.4, Statement of Finances.* The Department of Treasury and Finance does not separately report on the income derived from regulatory reform from other tax income as this information cannot currently be accurately extracted.	The Government indicated that it would investigate *'a finer breakdown of tax expenditures and the feasibility of including the value of fees waived'*.[254] The Committee looks forward to extended future reporting on these. While the government accepts the Committee's concern regarding detail and transparency in relation to concessions and tax exemptions no apparent changes have been made to address it in this years budget.
25	The Department of Education and Early Childhood Development include in its annual report a comparative assessment of educational outcomes prior to and following the implementation of initiatives within the Victorian Schools Plan.	The Department of Education and Early Childhood Development has developed a benefits evaluation framework that will be used to collect feedback on the benefits achieved from the completion of *Victorian Schools Plan* capital projects. This benefits evaluation framework includes the short term benefits that will be achieved, such as improved learning environment, reduced maintenance requirements, improved interior natural lighting and improved ventilation levels. These measures will be able to be reported on once an individual school project has been delivered and is available for announcement, with long-term measures of improved student outcomes becoming evident in the following 12-24 months. Detailed post occupancy evaluation results are expected to be available after 12 months of building use. A summary of these benefits for a sample of projects are anticipated to be included in the 2008-09 Annual Report. The capital initiatives in the *Victorian Schools Plan* are just one of the initiatives adopted by the State Government to improve student outcomes, which are attributed to a number of factors.	The Committee remains interested in improved educational outcomes and best practice management in assessing such improvements.

[254] Victorian Government, *Government Response to the Recommendations of the Public Account and Estimates Committee's 80th Report on the 2008-09 Budget Estimates*, tabled 19 April 2009, p.11

Recommendation		Government response	Committee comment
39	That the Government review the Departmental Output Statements in Budget Paper No. 3 with a view to ensuring that the strategic actions identified in the Victorian Indigenous Affairs Framework are adequately reflected.	The Department of Planning and Community Development is currently reviewing its output statements, which already includes performance measures relating to indigenous activities, as well as being aligned to other strategic directions. However, it would be inappropriate to amend the Department's output statements to specifically reflect the 21 Strategic Change Indicators in the Victorian Indigenous Affairs Framework (VIAF) as the VIAF is a Whole of Victorian Government framework and its implementation is a shared responsibility of various departments. Further, the Department of Planning and Community Development annually produce the *Whole of Government Report on Indigenous Affairs*. This report was reviewed in 2007 so that its architecture reflects the VIAF priorities and Strategic Change Indicators.	The Committee recognised that responsibility for Indigenous Affairs extends beyond the Department of Planning and Community Development and therefore did not restrict Recommendation 39 to the output statements of this department. The Committee is interested in improved output statements across government to reflect the Victorian Indigenous Affairs Framework and the role of the Department in developing them.

Recommendation 23: **The Department of Treasury and Finance provide further detailed information relevant to further actions involved in review processes that are identified in relevant responses to Committee recommendations.**

The Committee found that the degree and quality of detail varied in responses provided to recommendations in Section C comprising GVT chapters. These recommendations are responded to by relevant departments and do not exhibit the consistency of the detailed responses in Section B, provided by the Department of Treasury and Finance.

The Committee looks forward to greater detail in responses to this review especially in the *Growing Victoria Together* section of its report.

11.2.2 Recommendations 'Under Review'

Two recommendations for last year's report are *under review*. This compares with three *under review* for the 2007 Estimates Report. These are listed in Table 11.3 together with comment from the Committee.

While there is no requirement under the Act for the Government to provide further or final reporting on recommendations *under review*, the Committee would appreciate an appropriate update from the Government against all these recommendations.

11.2.3 Recommendations that were rejected

There was a reduction in the number of Committee recommendations rejected by the Government. Four (8.2 per cent) recommendations from the *Report on the 2008-09 Budget Estimates – Part Three* were rejected compared with eight or 13.6 per cent the previous year.

The Committee's review of the Government's reasons for rejecting recommendations is presented in Table 11.4.

Table 11.3: Review of recommendations 'Under Review' by the Government

Recommendation		Government response	Committee comment
13	From 2009-10, a new budget paper providing a comprehensive overview of the State government programs and initiatives for regional and rural Victoria, be provided.	Through various Budget Papers, including the Budget Overview and Budget Information Paper No. 1, the Government currently reports on the initiatives that are specifically targeted to each of the six regional geographic segments in Victoria. Further, the Government publishes progress reports on the implementation of regional-specific programs, such as Provincial Victoria. State-wide initiatives are not currently included in these regional reports as the impacts of such initiatives cannot be reliably dissected between the regions and metropolitan areas. For the *2008-09 Budget*, the Department of Treasury and Finance conducted a review of the structure and contents of the Budget Papers. The purpose of the review was to improve the effectiveness and readability of the papers. The key changes arising from this review is that Budget Paper No. 2 was restructured to provide greater information on the PNFC sector and to clarify the impact of risks on estimates.	The Committee looks forward to the Department of Treasury and Finance providing updates in relation to Government's acceptance of the tabling of a new budget paper on regional and rural Victoria. The Committee has reinforced this recommendation in its report on *New Directions in Accountability* (June 2009).
34	The Department of Transport and the Port of Melbourne Corporation disclose fully, the costs incurred by each party in defending the legal challenge to the Channel Deepening Project.	On 15 July 2008, the Application (Blue Wedges Inc) was ordered by the Federal Court to pay the Respondents' (including the Port of Melbourne and the State of Victoria) costs of the application, including the costs of the motion, notice of which was given by the Application on 6 February 2008. The final costs awarded pursuant to that order have not been determined.	The Committee looks forward to an appropriate update from the Department of Transport and Port of Melbourne Corporation on the final costs in relation to the Channel Deepening Project.

Table 11.4: Review of recommendations rejected by the Government

Recommendation		Government response	Committee comment
4	In terms of achieving general efficiencies of an administrative nature that are expected to be derived (or any other specific efficiency initiatives announced in future budgets), the Budget Papers should disclose: (a) A breakdown by department and various components that make up such efficiencies; and (b) How savings have been utilised in the Budget.	The Government and its departments do not normally apply any income derived from savings or efficiencies to specific projects as it is contrary to the principles of the Government's financial management and accountability framework. However, in some situations, such as the Government's *Efficient Government* policy, the value and sources of savings revenue is disclosed. The State Government's financial framework focuses on the delivery of outputs and outcomes rather than the day-to-day management of departmental inputs. This framework is in line with practice across the Australian public sector and based on international experience. Under this framework, departments are not required to report to the Government how agreed efficiency targets are achieved as this is an internal management concern.	Because of the significance of efficiency targets assigned to departments, the Committee remains of the position it has expressed in previous Budget Estimates reports that: • there should be a simple reconciliation of aggregated targeted savings; • savings information provided complement departmental reporting; and • assigned budget efficiency savings reflect each department's organisational circumstances.
6	The Department of Human Services include in their annual report, details of expenditure to date and progress made on all major infrastructure projects with a TEI in excess of $10 million.	Departments are currently not required to disclose in their annual reports the progress made towards the implementation of individual capital projects. The reporting and disclosure practices of government have been established based on current accepted accounting standards and legislation. As with all departments, the Department of Human Services reports annually on the expenditure made on capital projects in *Budget Information Paper No.1*.	The comparatively large size of the Department of Human Services' asset investment portfolio requires specific reporting beyond the minimum requirements of currently accepted accounting standards and legislation.
15	To ensure that the approved allocation of funding of the Regional Infrastructure Development Fund is fully committed and spent in a timely manner the Government will need to accelerate the number of announced projects over the next two years.	Regional Development Victoria (RDV) has historically committed Regional Infrastructure Development Fund (RIDF) allocations in accordance with annual budget phasing. The number of RIDF-funded projects approved in 2006-07 and 2007-08 have increased significantly compared to previous years. Actual expenditure of funding typically lags behind these approvals. This is reflective of the long lead time required for infrastructure projects and the milestone and performance based funding agreements that are a feature of the RIDF.	The Committee continues to look for an accelerating rate of expenditure on regional infrastructure development.

Recommendation		Government response	Committee comment
40	That the Department of Justice reinstate the individual measures associated with timeliness in relation to each of the major courts of Victoria.	To improve the efficiency of government reporting, the Department of Justice identified which performance measures were repetitious and, where possible, consolidated these for reporting in Budget Paper No. 3*, Service Delivery*. The Department of Justice reports on the timeliness performance measures for each Court in the *Annual Reports of the Courts* and in the *Productivity Commission's Report on Government Services*.	The Committee supports the reinstatement of the important measures associated with timelines for each major Victorian Court as performance measures in Budget Papers.

CHAPTER 12: THRIVING ECONOMY

Key findings of the Committee:

12.1 The Victorian Government predicted that, in view of the world economy experiencing a synchronised recession with the advent of a severe financial crisis and a wide-spread loss of confidence, the economy will slow in 2009-10.

12.2 With economic activity slowing in response to lower external demand, falling asset prices, tighter credit conditions and lower business and consumer confidence, Victoria's economic projections were revised by the Government to reflect this weaker economic environment.

12.3 Economic projections used in the 2009-10 Budget included the following predictions for Victoria:

- **real Gross State Product weakening dramatically in 2008-09, further contracting in 2009-10, before showing a strong recovery in 2010-11 through to 2012-13;**
- **employment growth worsening from 0.25 per cent in 2008-09 to -1.0 per cent in 2009-10 before recovering to positive growth levels over the remaining years to 2012-13; and**
- **unemployment rising sharply from 5.0 per cent in 2008-09 to 7.0 per cent in 2009-10 and 7.75 per cent over the remaining years to 2012-13.**

12.4 Consistent with slowing economic activity, the Government predicted an easing in wage growth from 4.25 per cent in 2008-09 to 3.75 per cent and 3.25 per cent in 2009-10 and 2010-11 respectively, with an expected rise to 3.50 per cent growth in 2011-12 and 2012-13. The Government was of the view that a more modest wage growth commensurate with inflation (or slightly better than inflation) with an assurance of no retrenchments in order for budgets to balance is an appropriate policy setting to adopt given the current economic climate.

12.5 Given the volatility in the economic landscape, the Committee was advised in May 2009 by the Department of Treasury and Finance that the economic projections that underlie the Budget Estimates were marked by a greater than usual degree of uncertainty. The Committee heard that downside risks included:

- **further deterioration of global growth;**
- **a higher than envisaged unemployment rate; and**
- **continuing financial volatility combined with lower confidence further restricting credit and business investment growth.**

12.6 The Committee was told that it was difficult to quantify the impact of the risks on the economic forecasts as these risks were largely external and driven by factors outside Australia's control.

12.7 **In view of the rapidly changing nature of the economic environment which is driving current economic volatility and uncertainty, the Committee is of the view that a broader sensitivity analysis could disclose the impact of lower than expected economic variables in those instances where possible financial effects are not symmetrical with the expected scenario presented in the Budget Papers.**

12.8 **Subsequent to the handing down of the 2009-10 Victorian Budget in May 2009, the Committee noted that according to forecasts prepared by Access Economics for the June 2009 quarter, the Australian economy is set to perform more strongly than envisaged by the Commonwealth Treasury's forecasts. For example, compared to the Commonwealth Government's forecast of negative growth of 0.5 per cent in Gross Domestic Product for 2009-10, Access Economics forecasts that the Australian economy will grow at 0.40 per cent over 2009-10 with a strong recovery of 2.40 per cent in 2010-11.**

12.9 **With the Victorian Government predicting that unemployment will reach an average level of 7.0 per cent during 2009-10, rising to 7.75 per cent over the forward estimates period to 2012-13, the Budget will fund up to 35,000 jobs during 2009-10 (that is, jobs that would not be available without action by gGovernment). This includes an estimated 25,000 people working on construction projects and related services, and up to 10,000 in other parts of the economy supplying materials, components and services for those projects.**

12.10 **As indicated by the Department of Treasury and Finance, apart from infrastructure enhancing productivity, in a period of economic downturn there is also a short-term benefit of sustaining or bringing forward construction as an offset to the fall in private construction activity, thereby helping to secure employment.**

12.11 **In terms of budget funding aimed at securing jobs and driving economic growth, the acceleration of Victoria's infrastructure program includes $11.5 billion to be spent in 2009-10 on infrastructure projects through the combined investment of the State and Commonwealth Governments and state authorities (refer to Chapter 4 of this report for a breakdown of this funding).**

12.12 **Recognising that securing jobs now and into the future requires a skilled workforce, the Government announced in August 2008 the $316 million *Securing Jobs for Your Future – Skills for Victoria* package, over the next four years these reforms will create up to 172,000 additional training places from July 2009.**

12.13 **In order to deliver on achieving the upper limit of its job target for 2009-10 (35,000 jobs to be secured), the Government will need to ensure that sound project management disciplines are adopted for undertaking the infrastructure program in a timely manner.**

12.14 **Given the economic landscape causing jobs to be under threat and the focus of the Budget on accelerating the infrastructure program for Victoria, the Committee maintains that the Budget Papers should include coverage of the extent of jobs secured as well as new jobs created in particular sectors. A sound methodology needs to be developed for measuring outcomes in this area. Disclosure of this nature is particularly relevant in view of the findings reached by Access Economics that the status of Victoria's manufacturing industry, the largest in Australia, has kept Victoria's employment levels stagnant since 2007 and the large fall in job advertisements suggest that employment may have fallen since then.**

12.15 Released by the Government in December 2008, the Victorian Transport Plan (VTP) committed $38 billion over 12 years to transform Victoria's transport system. In providing new transport connections, the Government expects that projects will generate up to 12,000 jobs a year during construction.

12.16 The specific section in the Budget Papers devoted to the VTP discloses a total VTP allocation of $13.6 billion in terms of commitments and a TEI of projects amounting to $4.5 billion that has been funded under the Budget. The Committee was advised by the Department of Treasury and Finance that in relation to VTP projects, the remaining State contributions for capital projects that will be sourced from Unallocated Capital of $4.9 billion is not the difference between the total VTP allocation ($13.6 billion) and the TEI of projects ($4.5 billion) because:

- **the total VTP allocation includes both capital and output expenditure; and**
- **both the total VTP allocation and the TEI of projects include Commonwealth funding.**

12.1 Introduction to the Committee's examination of Budget-related issues relevant to the Government's Growing Victoria Together initiative

The continuation of the practice of reporting on issues connected with the Government's *Growing Victoria Together* (GVT) initiative has incorporated a new feature for reporting on the *2009-10 Budget Estimates* which involves drawing on linkages with the Government's *Annual Statement of Government Intentions.* This new feature provides an avenue to link stated government intentions with the GVT initiative and then the budget for selected areas covered in the Committee's chapters on the respective GVT visions of the Government. A matrix setting out the linkages is presented in Table 12.1. Figure 12.1 shows the relationship between policy formulation, funding through the budget, program implementation and reporting.

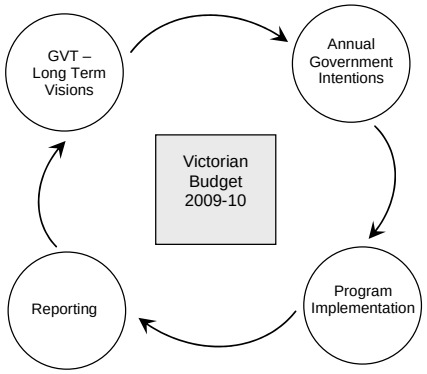
The Committee believes that transparency in reporting to Parliament would be enhanced if the 2010 *Annual Statement of Government Intentions* provided similar linkages to the *Growing Victoria Together* statement as the Committee has provided in Table 12.1.

Table 12.1: Growing Victoria Together aligned with Statement of Government Intentions

Growing Victoria Together		Statement of Government Intentions	
Vision	**Goals**	**Priority Areas**	**Actions**
Thriving Economy	• More quality jobs and thriving, innovative industries across Victoria. • Growing and linking all of Victoria.	Jobs – A Resilient Economy for Long Term Growth	• Jobs • Infrastructure • Accelerate development e.g. Transport and Planning • Regulation reform • Sound financial management
Quality Health and Education	• High quality, accessible health and community services. • High quality education and training for lifelong learning.	Families – People who are Educated, Healthy and Involved	• Education and early childhood development • Skills • Healthcare • Workplace reforms • A Fairer Victoria e.g. mental health, people with a disability, child protection, Indigenous Victorians
Healthy Environment	• Protecting the environment for future generations. • Efficient use of natural resources.	Environment – Climate Change, Water and the Natural Environment	• Climate Change • Energy • Water and Agriculture • Natural environment - national parks - land and biodiversity
Caring Communities	• Building friendly, confident and safe communities. • A fairer society that reduces disadvantage and respects diversity.	Communities – Planned, Connected and Secure	• Alcohol • Volunteering • Housing • Urban planning • Victorian Transport Plan • Community Safety • Gaming and racing reform
Vibrant Democracy	• Greater public participation and more accountable government. • Sound financial management.	Legislative and Regulatory Reform – Reducing Red Tape and Strengthening Accountability	• A decrease in regulatory burden by 15% • An increase in government and parliamentary accountability

Source: Table compiled by the Public Accounts and Estimates Committee

Figure 12.1: Relationship between policy formulation, funding, program delivery and reporting



Source: Figure compiled by the Public Accounts and Estimates Committee

In its analysis of the budget estimates, the Committee asked a total of 133 questions pertaining to the Thriving Economy vision of the GVT. This represented 27.7 per cent of all questions asked in the Budget Estimates hearings.

The answers provided at the estimates hearings were recorded in Hansard and the transcripts of evidence were contained in Volume Two of the *Report on the 2009-10 Budget Estimates – Part One*.

It is the Committee's view that the deterioration in the global economic environment has meant that policy formulation, together with the development of responsive budget initiatives, have become crucial elements of government administration in such times.

In commenting on the global financial crisis, the Committee noted that according to the Commonwealth Government, the world was caught in the worst economic crisis since the Second World War, with the crisis delivering recessions in the United States, the United Kingdom, Japan and the Eurozone. The Commonwealth announced a $42 billion *Nation Building and Jobs Plan* in early February 2009 to support jobs (up to 90,000 jobs in 2008-09 and 2009-10) and invest in future long-term economic growth. This Plan builds on the stimulus measures already in place which include:[255]

- the $10.4 billion *Economic Security Strategy*;
- the $300 million program to build local community infrastructure;
- the $15.2 billion COAG funding package; and
- the *Nation Building Package* announced in December 2008.

255 The Hon. W Swan, MP, Treasurer of the Commonwealth of Australia, Joint Media Release with the Prime Minister, *$42 billion Nation Building and Jobs Plan*, 3 February 2009, p.1

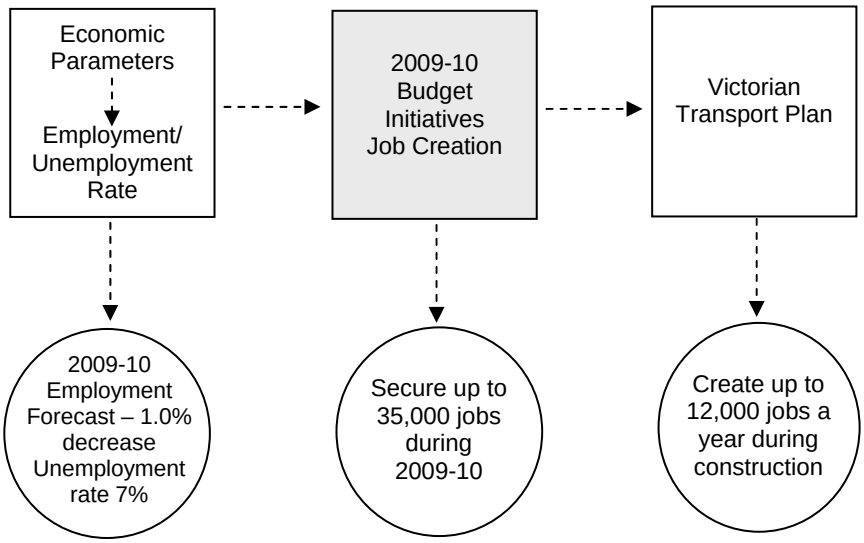
Mindful of these external events, the structure of this chapter (see Figure 12.2) covers issues relating to the Government's strategies aimed at promoting a thriving and adaptive industry base and increasing economic growth with a view to creating jobs. Issues examined by the Committee relate to the following:

- the economic parameters contained in the Victorian 2009-10 Budget, including employment and unemployment forecasts;
- the Budget initiatives aimed at creating or securing jobs; and
- the implications of the Victorian Transport Plan (VTP) – one of the Government's key policy platforms.

Various matters connected with the COAG Reform Agenda and Productivity in Victoria are contained in Chapter 5 of this report.

Several key issues canvassed by the Committee at the Budget Estimates hearings relating to the Thriving Economy vision of GVT are reported on in this chapter.

Figure 12.2: Relationship between economic projections and job creation initiatives



Source: Figure compiled by the Public Accounts and Estimates Committee

12.2 Economic parameters

12.2.1 Contextual background

In framing the 2009-10 Budget and the forward estimates, the Victorian economic projections underpinning the Budget have taken into account the deterioration in the economic outlook since the *2008-09 Budget Update*. With the advent of a severe financial crisis and a wide-spread loss of confidence, the Government has stated that in view of the world economy experiencing a synchronised recession, economic activity has slowed in response to lower external demand, falling asset prices, tighter credit conditions and lower business and consumer confidence. Victoria's economic projections have been revised to reflect this weaker economic environment.[256] The Committee noted that the Budget Papers contain an overview of the international, national and Victorian economic conditions and outlook and a discussion of key issues and risks to the Victorian economic outlook.[257]

12.2.2 Victorian economic projections contained in the Victorian 2009-10 Budget

The economic projections used in the 2009-10 Budget are set out in Table 12.2. These projections assume constant exchange rates, and that oil prices follow the path implied by oil futures contracts.[258]

Table 12.2: Victorian economic projections [(a)]

	2007-08 Actual	2008-09 Forecast	2009-10 Forecast	2010-11 Forecast	2011-12 Forecast	2012-13 Forecast
Real Gross State Product	3.20	0.50	0.25	2.25	3.00	3.00
Employment	2.70	0.25	-1.00	0.50	1.50	1.50
Unemployment rate [(b)]	4.50	5.00	7.00	7.75	7.75	7.75
Consumer Price Index	3.60	3.25	2.00	2.25	2.50	2.50
Wage Price Index [(c)]	3.80	4.25	3.75	3.25	3.50	3.50
Population [(d)]	1.80	1.80	1.60	1.50	1.40	1.40

Notes: *(a) Year-average per cent change on previous year unless otherwise indicated. All economic projections are rounded to the nearest 0.25 percentage point, except population projections which are rounded to the nearest 0.1 percentage point.*

(b) Year-average level, per cent.

(c) Total hourly rate excluding bonuses.

(d) June quarter, per cent change on previous June quarter.

Sources: Department of Treasury and Finance, Budget Paper No. 2, 2009-10 Strategy and Outlook, p.21

256 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.20

257 ibid., pp.20-34

258 ibid., p.20

The Committee noted that at the Budget Estimates hearing, the Treasurer informed the Committee that in relation to the economic forecasts outlined in the Budget (refer to the Victorian economic projections shown in Table 12.2): [259]

> *…the key figure there [in Table 2.1 of Budget Paper No. 2] is that the economy will slow considerably in this financial year. In the following year it will also be very slow at a quarter of a per cent, and then it tapers up. Going through there we see employment and unemployment – it flows into all of those figures. Possibly the most significant figure on that line is the population growth down at the bottom [of the table], which is a higher forecast [of a 1.8 per cent change in 2008-09 and 1.6 per cent change in 2009-10] than was in the Budget Papers at this time last year [1.5 per cent for these years]. Victoria continues to grow, and this is one of the reasons why our economy is strong.*
>
> *…we are starting to see the economic data commencing to bottom out, and it fits in with what the IMF is saying — that in the calendar year 2010 we will see the world economy starting to rise — and the data that we are starting to see here shows there is a cause for optimism, if you define 'optimism' as that it is bottoming out.*

As can be seen from the economic forecasts contained in the Victorian Budget, the Government expects an accelerated level of growth in the key indicators relating to Gross State Product (GSP) and Employment in 2010-11.

12.2.3 Economic parameters contained in the 2009-10 Commonwealth Budget

A review of selected key economic parameters contained in the 2009-10 Commonwealth Budget, brought down after the State Budget, is set out in Table 12.3.

Table 12.3: Commonwealth Government selected macroeconomic forecasts 2009-10 and 2010-11 (a)

	2007-08	2008-09	2009-10	2010-11
	Outcomes (b)	Estimates	Forecast	Forecast
Gross Domestic Product	3.60	0.00	−0.50	2.25
Household consumption	3.70	1.00	−0.25	1.75
Employment (c)	2.40	−0.25	−1.50	0.50
Unemployment rate (per cent) (d)	4.20	6.00	8.25	8.50
Consumer Price Index (e)	4.50	1.75	1.75	1.50
Wage Price Index (e)	4.10	4.25	3.25	3.25

Notes: *(a) Percentage change on previous year unless otherwise indicated.*
(b) Calculated using original data.
(c) Through the year growth rate to the June quarter.
(d) Estimate for the June quarter.
(e) Through the year growth rate to the June quarter.

Source: *Commonwealth Government of Australia, Australian Government Budget 2009-10, Overview, Appendix H*

259 Mr J Lenders MLC, Treasurer, 2009-10 Budget Estimates hearing, transcript of evidence, 12 May 2009, pp.3-4

Comparing Table 12.2 and Table 12.3, the Committee notes trends in movements in Victoria are expected to generally mirror those at the Commonwealth level, with the Commonwealth being slightly more negative on all indicators for 2009-10 except the Wage Price Index.

12.2.4 Analysis of economic forecasts

In analysing the economic forecasts for Victoria, the Committee was interested in firstly examining trends in the economic indicators as well as how they compared to the indicators at a national level.

Gross State Product /Gross Domestic Product

Table 12.2 and Table 12.3 show that GSP and Gross Domestic Product (GDP) are expected to weaken significantly in 2008-09 with a further contraction in 2009-10, albeit at a much lower rate. In 2010-11, the economic projections show a marked recovery which will be sustained over the remainder of the forward estimates to 2012-13 in Victoria. The Committee was interested to observe that at the Commonwealth level, GDP is expected to slow from an average of zero per cent in 2008-09 to a negative growth rate of -0.5 per cent in 2009-10, whereas Victoria's growth in GSP is expected to remain in the positive although reducing from 0.5 per cent to 0.25 per cent over this period.

In terms of an expected significant recovery, the Committee noted that between 2009-10 and 2010-11, GSP is anticipated to grow from 0.25 per cent to 2.25 per cent in Victoria (at the Commonwealth level, -0.50 per cent to 2.25 per cent growth in GDP).

Employment

Employment growth in Victoria is expected to worsen to -1.0 per cent in 2009-10 (from 0.25 per cent in 2008-09) and then return to positive growth of 0.50 per cent and 1.50 per cent in 2011-12 and 2012-13 respectively. Similarly at the Commonwealth level, negative employment growth of -1.50 per cent is forecast to occur in 2009-10 with an improvement to 0.50 per cent in 2010-11.

Unemployment rate

The Committee noted that Victoria's unemployment rate is predicted to be at levels lower than those expected to be experienced at the Commonwealth level. However, similar to the Commonwealth figures, unemployment is expected to rise sharply in Victoria from 5.00 per cent in 2008-09 to 7.00 per cent during 2009-10, compared to a rise from 6.00 per cent to 8.25 per cent nationally. Unemployment in Victoria is then expected to increase to 7.75 per cent in 2010-11 and plateau at this level over the remaining two years of the forward estimates to 2012-13 (Commonwealth, 8.50 per cent for 2010-11).

Consumer Price Index

Forecasted consumer price inflation for Victoria is characterised by a considerable reduction in the Consumer Price Index from 3.25 per cent in 2008-09 to 2.00 per cent in 2009-10 with a marginal increase to 2.25 per cent in 2010-11, before returning to trend at 2.50 per cent over each of the following two years to 2012-13.

According to the Government, a sharp decline in fuel costs and lower costs of financial and insurance services have contributed to the easing of inflation, although underlying inflation is still relatively high.[260] In comparison, the Committee noted that inflation is expected to remain steady at 1.75 per cent nationally in 2009-10.

Wage Price Index

Consistent with slowing economic activity, the Government predicts an easing in wage growth from 4.25 per cent in 2008-09 to 3.75 per cent and 3.25 per cent in 2009-10 and 2010-11 respectively, which is then expected to rise to 3.50 per cent growth in 2011-12 and 2012-13. At the Commonwealth level, wage growth is expected to ease from 4.25 per cent in 2008-09 to 3.25 per cent over each of the following two years.

At the Budget Estimates hearing dealing with the Treasury portfolio, the Committee asked the Treasurer to explain how the changes to wages policy will impact on the budget position by reference to sensitivity analysis undertaken by the Government. The Treasurer advised the Committee that:[261]

> *…So if you are talking of a wages bill in total approaching the $20 billion mark, and you are talking of a change to wages policy where the base rate is 3.25 per cent down to 2.5 per cent, over a figure of that size that is $150 million a year in rough terms. Then over a four year forward estimate that becomes $150 million the first, $300 million the second, $450 million the third, $600 million for the fourth before we even do adjustments to adjustments on that. That is a significant thing on a sensitivity analysis as to where the budget is going forward. Certainly in a particularly difficult financial cycle, which the state itself faces, it plays a significant role in to keeping revenue coming in higher than expenses over that period of time.*
>
> *…The importance, I guess, in more than just where the sensitivity analysis goes to is also the policy issues for government. There are many governments at the moment and many companies that are actually retrenching people to balance their budgets and that is something that we, as a Labor government, are extraordinarily reluctant to be part of. We had the dialogue with our own public sector workforce where we are saying these are the stark choices we face at a time of significant revenue drop, at a time of global recession.*
>
> *We have put forward the case that a more modest wage growth commensurate with inflation or slightly better than inflation, and a guarantee of no retrenchments to make budgets balance, is an appropriate policy setting to do in here. So you correctly identify in the sensitivity analysis what the effect on the budget bottom line is of this, but wages are the single largest component of our budget and we think it is a fair balance.*

260 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.30

261 Mr J Lenders MLC, Treasurer, 2009-10 Budget Estimates hearing, transcript of evidence, 12 May 2009, p.13

12.2.5 Impact of economic parameters on the Budget

The way economic parameters impact on the budget is described in Table 12.4.

Table12.4: Impact of selected economic parameters on the budget

Selected economic indicators	Description of impact
Economic growth	Gross State Product has an impact on revenue, principally from Goods and Services Tax (GST), grant revenue and taxation revenue from related consumption taxes. This also leads to increased sales of goods and services leading to an increase in expenses.
Employment	Employment results in payroll tax revenue and contributes to consumer spending and GST receipts.
Consumer prices	This item affects Commonwealth-sourced revenue and revenue from the sale of goods and services, as well as GST and taxation revenue. Revenue is partly offset by the cost of supplies and services. Consumer prices also impact on outlays connected with grants and transfers and the superannuation liability.
Average weekly earnings	This item impacts on payroll tax revenue. Where there is an impact on Commonwealth sourced revenue due to indexation arrangements, there is a proportional impact on expenses.
Property prices	Property prices impact on the level of stamp duty collections and land transfer revenue.
Interest rates	Interest rates impact on the valuation of long-term liabilities of the public financial corporations and income tax equivalent payments made to the General Government Sector by these corporations. Other items affected relate to the level of dividends and income tax equivalent payments paid by public non-financial corporations and the level of borrowing costs of the General Government Sector. The level of interest rates also affects the value of the superannuation liability and the annual interest expense on the liability.

Source: Committee's analysis of the Department of Treasury and Finance, Budget Paper No. 2, 2009-10 Strategy and Outlook, pp.96-98

12.2.6 Key risks

Given that the economic landscape has been very volatile in the past six to nine months, the Committee was informed by the Department of Treasury and Finance in May 2009 that the economic projections that underlie the Budget Estimates were marked by a greater-than-usual degree of uncertainty. The key downside risks included:

- further deterioration of global growth;
- a higher-than-envisaged unemployment rate; and
- continuing financial volatility combined with lower confidence further restricting credit and business investment growth.

The Department also pointed out, however, that the recovery in economic activity, domestically and abroad, could be much faster than expected and that there was also the risk that monetary and fiscal policy, which had been eased significantly, could stimulate demand and activity by more than anticipated.

With this uncertainty, the Committee was advised by the Department that it was difficult to quantify the impact of these risks on the economic forecasts as these risks were largely external and driven by factors outside Australia's control.[262] Similarly, at the Budget Estimates hearing, the Committee was also informed by the Premier that it was difficult to quantify the impact of the risks on the economic forecasts as these risks were largely external and driven by factors outside Australia's control.[263]

It was not surprising to hear from the Department of Treasury and Finance that the high level of uncertainty about the economic outlook had ramifications for Victoria's fiscal outlook. Changes in economic conditions from those projected would also alter the State's taxation revenue estimates. Some State taxes, such as stamp duty on land transfer, were particularly volatile and subject to substantial annual variation. The level of GST grants was also affected by economic activity, with any changes to economic conditions having a direct impact on the amount of GST revenue to be distributed among the states.[264]

There were also risks to the expenditure outlook, such as unexpected rates of growth in the demand for government services as a result of the economic downturn.[265]

In inquiring into difficulties encountered in developing fiscal forecasts, the Committee learnt that the current economic volatility and uncertainty had introduced a consistent bias to forecasts generated from structural models. The bias reflected the fact that, while structural models were generally driven by internal equilibrium or trend growth, the recent economic downturn was quite unusual. Also, due to Australia's long expansion, some of the key indicators (such as the Wage Price Index) did not have a sufficient history that covered full business cycles. Rapid changes in the policy environment (such as monetary stance and fiscal stimulus) had also affected economic behaviour which made model-based parameter estimates less reliable.[266]

As a result of these model limitations, greater reliance has been placed on judgement. There has also been a need to obtain more timely data, which has been sourced through liaison with industry bodies, private sector economists and other public sector economists.[267]

The Committee also learnt that the cut to the Australian Bureau of Statistics (ABS) work program had also affected the availability and quality of economic data. The reduction in sample size has meant that there was greater volatility in labour force statistics which has made data interpretation more difficult. According to the Department of Treasury and Finance, the discontinuation of the job vacancies survey had removed a valuable leading indicator of the labour market.[268]

In cases where recent economic uncertainty and financial volatility has introduced large swings in the recent data, the Department indicated that a degree of judgement had been applied.[269]

262 Department of Treasury and Finance, response to the Committee's 2009-10 Budget Estimates questionnaire, May 2009, p.2
263 Hon. J Brumby MLA, Premier, 2009-10 Budget Estimates hearing, transcript of evidence, 11 May 2009, p.33
264 Department of Treasury and Finance, response to the Committee's 2009-10 Budget Estimates questionnaire, p.2
265 ibid.
266 ibid., p.4
267 ibid., p.5
268 ibid., p.5
269 ibid., p.5

As in previous years, the Victorian Auditor-General's Office reviewed the methodology used to determine the economic assumptions used in the Budget. The Department of Treasury and Finance also consulted other state and treasuries on approaches to forecasting, which provides a useful peer review. Academics are also engaged to provide training on forecasting techniques (e.g. time series forecasting, economic modelling) to ensure staff have the requisite technical skills. According to the Department, its internal review of its forecasting models over the past 12 to 18 months is to be completed by the end of June 2009, at which time the Department will assess further action to be taken.[270]

12.2.7 Impact of variations to forecasts on the Budget

The Committee noted that the Budget Papers include a sensitivity analysis that estimates the impact on income, expenses and the net result from transactions associated with variations to forecasts of selected economic and financial variables. In assessing sensitivity to change, the Government has assumed that the level of economic variables in each case is to be 1 per cent higher than expected in the budget year, before continuing to grow at the previously forecast rate. In citing one economic indicator as an example, the Committee noted that, if Victoria's GSP was 1 per cent higher than expected in 2009-10, this would result in an estimated increase in the 'net result from transactions' of $124 million in 2009-10.[271] Unlike the practice of reverting to the previous forecast rate for the subsequent three years that follow the budget year, for interest rates, it is assumed that they are one percentage point higher than assumed in the budget year and remain one percentage point above the budget assumption in subsequent years.[272]

Another important area where, in the opinion of the Committee, care needs to be exercised when interpreting the information disclosed in the sensitivity analysis relates to the assumption adopted by the Government that, during the analysis of each variable, all other variables follow their forecast growth. This means that the analysis captures the effect of changing only one variable at a time and, accordingly, does not allow for the likelihood that other variables would also change. As an example, the budget cites an increase in consumer prices could be expected to affect interest rates, wage claims and other economic variables.[273]

On the assumption that a lower than expected result may occur, in assessing the impact of the sensitivity from a 1 per cent lower than expected outcome of an economic variable, the Budget Papers disclose that the sensitivity would, in most instances, simply be the opposite of the impact shown in the table in the Budget Papers if fiscal results were to be 1 per cent higher than expected. However, for some results, the Government reveals that the impacts of changes are not symmetrical and therefore care should be exercised when using the table to estimate the impact of lower than expected economic variables.[274]

The Committee maintains that, in view of the deep global economic downturn that is affecting the Australian economy[275] and the rapidly changing nature of the economic environment which is driving current economic volatility and uncertainty,[276] there is a need for the Budget Papers to be made more transparent in relation to the economic parameters. This could be achieved by the Department of Treasury and Finance explaining the impact of lower than expected economic variables in those instances where the financial effect is not symmetrical with the scenario presented in the Budget Papers.

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270 Department of Treasury and Finance, response to the Committee's 2009-10 Budget Estimates questionnaire, pp.4-5
271 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.94
272 ibid., p.93
273 ibid.
274 ibid., p.95
275 Department of Treasury and Finance, *Victorian Budget 2009-10 Overview*, May 2009, p.11
276 Department of Treasury and Finance, response to the Committee 2009-10 Budget Estimates questionnaire, pp.3-4

Recommendation 24: **The Department of Treasury and Finance expand the sensitivity analysis contained in the Budget Papers to quantify the impact on the general government fiscal results of selected indicators being 1 per cent lower than expected, if the financial effect is not symmetrical with the scenario presented in the Budget Papers.**

12.2.8 Economic forecasts subsequent to the handing down of the 2009-10 Victorian budget

The Committee noted that according to forecasts prepared by Access Economics for the June 2009 quarter, the Australian economy is set to perform more strongly than envisaged by the Commonwealth Government's forecasts. Some salient features of the economic analysis undertaken by Access Economics are set out below:[277]

- unemployment is expected to peak at 7.50 per cent in 2010-11 compared to the Commonwealth Government forecast of 8.50 per cent;
- compared to the Commonwealth Government's forecast of negative growth of 0.50 per cent in GDP for 2009-10, Access Economics forecasts that the Australian economy will grow at 0.40 per cent over 2009-10 with a strong recovery of 2.40 per cent in 2010-11; and
- in comparison to the Victorian Treasury's forecast for GSP to grow by 2.25 per cent in 2010-11, Access Economics expects growth of 3.30 per cent to occur in that year.

If the projections prepared by Access Economics prove to be correct, this will mean that the number of people expected to lose their jobs in Victoria will be lower than originally forecast.

12.3 Job Creation

12.3.1 February 2009 Annual Statement of Government Intentions

Of the four major themes earmarked by the Government to achieve its goal to make Victoria the best place to live, work, invest and raise a family, the topic of 'jobs' is one of the four priority areas identified for action to take place. The Government has introduced reforms that are aimed at directly creating new job opportunities, including a major skills package that will create 172,000 new training places as well as Industry and Innovation Statements to secure existing jobs and create the jobs of the future.[278]

In terms of moving forward, key priorities for the Victorian economy include creating new jobs, maintaining businesses and consumer confidence, fast-tracking public and private infrastructure investment and supporting jobs in those sectors most sensitive to the economic downturn.

277 Access Economics, *business outlook*, June 2009, pp.31,86, 100

278 Hon. J Brumby MP, *February 2009 Annual Statement of Government Intentions*, pp.1, 11

In terms of Victoria's plan for creating jobs and business opportunities, the 2009 statement of intent describes a wide range of policies and funding initiatives which fall under various categories listed below:[279]

- Infrastructure
- Skills
- Innovation
- Support for Farmers and Drought Relief
- Industry and Manufacturing
- Streamline Business Regulation
- Research and Development
- Investment Attraction
- Major Events
- Green Jobs

With regard to past funding, the statement mentions that in 2008, the Victorian Government announced over $6 billion of initiatives in addition to the $38 billion Victorian Transport Plan (refer to comments later in this chapter). Initiatives include: [280]

- $3.3 billion in new capital expenditure;
- over $400 million in V/Line carriages and freight;
- $316 million for skills reform;
- $300 million for innovation;
- $205 million for farmers and $115 million for drought relief;
- over $200 million to support industry and manufacturing; and
- $1.4 billion in tax and business cost cuts.

12.3.2 Budget direction

The budget sets out a description of the economic horizon and the likely impact on private business investment and unemployment. The deterioration in the economic outlook in the face of the global financial crisis, with large falls in financial asset prices nationally and internationally, has reduced household wealth and consumer confidence which has led to weakness in consumer spending. According to the Government, a decrease in business confidence and tightening credit conditions are likely to lead to large declines in private business investment. With a softening in the Victorian labour market, the unemployment rate increased sharply over the year to 5.7 per cent in March 2009 compared with just above 4 per cent a year earlier.[281] The Budget forecasts that unemployment will reach an average level 7.0 per cent during 2009-10, rising to 7.75 per cent over the forward estimates period to 2012-13.[282]

279 ibid., pp.14-38
280 ibid., p.14
281 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.4
282 ibid., p.21

In experiencing the worst global economic downturn since the Second World War, the budget is aimed at securing up to 35,000 jobs during 2009-10 (that is, jobs that would not be available without action by government).[283] This includes an estimated 25,000 people working on construction projects[284] and related services and up to 10,000 in other parts of the economy supplying materials, components and services for those projects.[285] In creating more opportunities for Victorian workers to skill-up and re-train, this strategy is aimed at ensuring that Victoria's industries have a skilled workforce to resource jobs for the future. The Government has indicated that the Budget is about making Victoria 'recovery ready' for when the global economic recovery eventuates by delivering projects and infrastructure for securing jobs in the short-term.[286] Infrastructure investment also provides longer-term productivity benefits.[287]

As indicated in a technical paper prepared by the Department of Treasury and Finance:[288]

> *Infrastructure, by its nature, complements and supports economic activity, removing bottlenecks and congestion and providing the basic services and networks required by a modern economy, thereby enhancing productivity. In addition, in a period of economic downturn, there is also the short-term benefit of sustaining or bringing forward construction as an offset to the fall in private construction activity, thereby helping to secure employment.*

In terms of budget funding aimed at securing jobs and driving economic growth, Victoria plans to accelerate its infrastructure program as part of the Commonwealth Government's *Nation Building – Economic Stimulus Plan.* This includes $11.5 billion to be spent in 2009-10 on infrastructure projects in Victoria through the combined investment of the State and Commonwealth governments and state authorities. Covering a range of economic, social and environmental infrastructure Victoria will need over the ensuing years, this investment includes water and sewerage projects, capital grants for government and non-government schools and projects associated with transport and the health sector.[289] More specific comments about jobs created as a result of the implementation of major water projects and the VTP are mentioned later in this chapter. Further comments by the Committee regarding the infrastructure spend planned by the Government are included in Chapter 4 of this report.

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283 Department of Treasury and Finance, Budget Paper No.1, *2009-10 Treasurer's Speech,* May 2009, p.1

284 Based on an estimated total construction spend in 2009-10 of $8.5 billion relating to net infrastructure investment by the General Government Sector, investment funded by grants to the non-government sector, major public private partnerships, major water projects and Commonwealth Nation Building Funds. Using ABS data to estimate direct employment on construction projects, the Department of Treasury and Finance has estimated that there are approximately 2.9 FTE jobs directly associated with each $1 million of activity in the construction sector in Australia. Department of Treasury and Finance, Technical Paper, *Employment and public infrastructure: An estimation framework,* 11 May 2009, pp.5-7, 11

285 In estimating supply chain employment, the Department of Treasury and Finance included only first-order or direct supply chain employment for project types avoiding the calculation of multipliers. Estimates were made using project expenditures on goods and services and the ABS input-output matrix for Australia (Department of Treasury and Finance, Technical Paper, *Employment and public infrastructure: An estimation framework,* 11 May 2009, pp.11-13).

286 Department of Treasury and Finance, Budget Paper No.1, *2009-10 Treasurer's Speech,* May 2009, p.1

287 Website of the Department of Treasury and Finance, www.dtf.vic.gov.au, accessed 29 June 2009

288 Department of Treasury and Finance, Technical Paper, *Employment and public infrastructure: An estimation framework,* 11 May 2009, p.1

289 Department of Treasury and Finance, Budget Paper No.1, *2009-10 Treasurer's Speech,* May 2009, p.5

At the Budget Estimates hearing covering the Treasury portfolio, the Committee was interested in understanding how the Government could be confident in securing jobs in this State and whether these jobs represented new jobs or existing jobs. Among other things, the Treasurer stated that:[290]

> *… we are talking in the budget paper of 35,000 jobs being secured that otherwise would not be if this infrastructure expenditure was not there … Yes, that is new jobs. If you go from $4 billion to $8 billion in investment there are new jobs. There is also the securing of existing jobs...*

With regard to the finding of Access Economics in June 2009 that Victoria's '*construction pipeline is now fading fast – not only is recent construction work falling away faster in Victoria than it is Australia-wide, but that is even more marked for the pipeline of work remaining to be done'*,[291] the Committee believes that strategies contained in policy formulation and budget initiatives should be effective in alleviating this problem.

12.3.3 Target setting

The Committee noted that in terms of defining policy announcements connected with job creation in the United States for the purpose of confronting the economic crisis, President Obama stated that '*the recovery plan will save or create about 3.5 million jobs while investing in priorities that create sustainable economic growth for the future*'.[292]

The Committee formed the view that in terms of framing the Victorian budget for 2009-10 with regard to jobs:

- the wording of a target to '*secure up to 35,000 jobs*' could have been made in a more definitive manner in terms of a specific target;
- as the concept of securing or in other words saving/retaining existing jobs should not be confused with creating new jobs, the Committee is of the view that greater clarity in policy formulation could have been achieved had the target clearly distinguished between safeguarding existing jobs during the economic downturn as distinct from creating new jobs; and
- the estimated number of jobs to be secured in particular sectors, particularly those sectors most sensitive to the economic slowdown, could have been specified in greater detail in the budget where known.

The Committee maintains that when a target associated with a major policy initiative is set as part of the budget, it is essential that it be outlined in specific terms so that it is unambiguous and measurable from an accountability perspective.

The Committee also believes that for the Government to be effective in striving to achieve its upper limit of jobs to be secured in 2009-10 (i.e. 35,000 jobs), it will be important that sound project management disciplines are followed in the delivery of construction projects on time. The Committee notes that in order to secure jobs, be they existing or new ones, there has to be a focus on projects that can start quickly.[293]

It will also be essential that, given the emphasis in the budget on securing jobs during 2009-10, the section of the Budget Papers that sets out an overview of the Government's cumulative service delivery achievements in the last decade for reporting on progress towards achieving the GVT

290 Mr J Lenders MLC, Treasurer, 2009-10 Budget Estimates hearing, transcript of evidence, 12 May 2009, pp.18-21
291 Access Economics, *business outlook,* June 2009, p.98
292 www.whitehouse.gov/issues/economy/ accessed 30 June 2009
293 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.5

goals should be expanded to include coverage of the extent of jobs secured as well as the new jobs created in particular sectors e.g. residential, non-residential (including engineering) and construction trade. In the interests of ensuring that reliable information is reported, a sound methodology needs to be developed for measuring outcomes in this area.

The Committee will be interested in reviewing the response by the Government to its earlier recommendation made in its *Report on the 2007-08 Financial and Performance Outcomes* for the Department of Innovation, Industry and Regional Development to gather information covering the small business sector which stratifies the number of jobs created by firm size and per sector/industry in each year.[294]

With regard to the financial services sector, Victoria's third largest industry directly providing more than 90,000 jobs,[295] the Committee ascertained that, while the Department of Innovation, Industry and Regional Development has a target of $1.6 billion of new investments to be facilitated in 2009-10 and 5,000 new jobs per annum for all industry development, no specific jobs targets have been set for the financial services sector over the next four years.[296] The Committee noted from its review of the output initiatives contained in the Budget Papers for Innovation, Industry and Regional Development, $1.2 million has been provided for the *Financial Services Initiative* over 4 years.[297] As this initiative contributes to the department's Sector Development output, which is connected with contributing to the provision of more quality jobs, the Committee maintains that greater transparency would have been achieved had a target been set for the number of jobs to be generated from this funding.

Recommendation 25: **In order for the target of up to 35,000 jobs to be secured in 2009-10, the Government ensure that sound project management disciplines are followed in the delivery of construction projects on time.**

Recommendation 26: **The Department of Treasury and Finance include outcomes reporting of the extent of jobs secured as well as the new jobs created in particular sectors.**

12.3.4 Uptake of apprentices and trainees

Recognising that securing jobs now and into the future requires a skilled workforce, the Government announced in August 2008 the $316 million *Securing Jobs for Your Future – Skills for Victoria* package. In line with the Government's stated intentions released in February 2009, the 2009-10 Budget announced that these reforms will create up to 172,000 additional training places from July 2009.[298] It is expected that these additional training places will be generated over the next four years.[299]

294 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes*, May 2009, p.311

295 Mr J Lenders MLC, Minister for Financial Services, 2009-10 Budget Estimates hearing, transcript of evidence, 12 May 2009, p.2

296 Mr J Lenders MLC, Minister for Financial Services, response to the Committee's questions on notice, 15 June 2009, p.2

297 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.326

298 Department of Treasury and Finance, Budget Paper No.1, *2009-10 Treasurer's Speech*, May 2009, p.8

299 Hon. J Brumby MP, Premier, *February 2009 Annual statement of Government Intentions*, p.36

The Committee noted that the 2009-10 Budget provided $141 million over five years for additional investment in skills related initiatives which included:[300]

- $14 million over two years for the Skills to Transition program which will create over 6,000 training places in 2010 for targeted groups at Certificate I to IV levels; and

- $50 million over three years for an additional 15,000 vocational education and training places under the *Productivity Places Program* which will help meet an expected increase in demand for training places during a period of slower economic growth.

In terms of funding, the Committee observed that with regard to the *Skills* output, funding in the budget increased from $1.6 billion in 2008-09 to $1.8 billion in 2009-10.[301]

The Committee is of the view that, as it is important for individuals and businesses to be able to access a skills system that responds to their needs and recognising that people with the required skills drive the performance of industry sectors and businesses, it will be essential that government subsidised training places are targeted at those areas where there are critical skill shortage areas.

The Committee, in supporting the concept of individuals being provided with the opportunity to gain the necessary skills to access jobs into the future, believes that accountability would be enhanced if the Department of Innovation, Industry and Regional Development reported on a progressive basis, the take up of government subsidised training places in areas of skill shortage according to key industry sectors.

Recommendation 27: **The Department of Innovation, Industry and Regional Development report on a progressive basis and, according to key industry sectors, the take up of government subsidised training places in areas of skill shortage.**

12.3.5 Jobs created as a result of major water projects

At the Budget Estimates hearing, the Committee asked a number of probing questions about the extent of jobs to be created from the Government embarking on major water projects for the State. As advised by the Minister for Water, more than 2,300 jobs will be secured in 2009-10 to help deliver key infrastructure to secure Victoria's water supply. Job creation is expected to occur from the following projects:[302]

- the Desalination Project is expected to create 1,700 direct jobs and 3,050 indirect jobs over two years of construction, while around 50 direct jobs and 100 indirect jobs are to be created when the plant is operational at the end of 2011;

- the Northern Victoria Irrigation Renewal Project will create up to 680 new jobs during Stage 1 construction works, injecting around $381 million into the local economy, with the second year of irrigation modernisation works estimated to create more than 200 additional jobs in the region; and

- the Sugarloaf Pipeline is estimated to inject $229 million into the region between 2008 and 2020 creating more than 1,000 extra jobs; 1,200 people are currently working on the project.

300 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, pp.14-15
301 ibid., p.135
302 Hon. T Holding, MP, Minister for Water, response to questions on notice, received 24 August 2009

The Minister also indicated that other projects have also generated regional employment which include the Goldfields Superpipe (now completed), the Wimmera-Mallee Pipeline, the reconnection of the Tarago reservoir and the Gippsland Water Factory.[303]

12.3.6 Job losses in the manufacturing sector

The Committee noted that Access Economics reported in June 2009 that last year saw at a national level, manufacturing output decline by 9 per cent with a fall in manufacturing employment by 11 per cent. Job losses have occurred in each of food, wood and paper, plastics, building products and metal manufacturing as well as car making.

Given that Victoria is Australia's largest manufacturing state, Access Economics has concluded that the status of the manufacturing industry has kept Victoria's employment levels stagnant since late 2007 and that a large fall in job advertisements suggests that employment may fall further from here.[304]

The Committee acknowledges that in addition to public infrastructure projects being built in partnership with the private sector, the Government has been active in terms of policy development in this area, which has included the announcement of the following policies in 2008:[305]

- the $245 million *Building our Industries for the Future – Action Plans for Victorian Industry and Manufacturing*;
- the $300 million *Innovation: Victoria's Future Statement*; and
- the $316 million *Securing Jobs for Your Future – Skills for Victoria Statement.*

12.4 Victoria's Transport Plan

12.4.1 February 2009 Statement of Government Intentions

Released by the Government in December 2008, the VTP committed $38 billion over 12 years to transform Victoria's transport system. In providing new transport connections, the Government expects that projects will generate up to 12,000 jobs a year during construction.

The Plan includes, among other things, funding for new metropolitan trains, new V/Line carriages, new generation trains and trams and new buses. The Government aims to achieve 40 per cent local content on a whole-of-life basis for train purchases. [306]

303 ibid.
304 Access Economics, *business outlook*, June 2009, p.98
305 Hon. J Brumby MP, *February 2009 Annual Statement of Government Intentions*, pp.14-15
306 ibid., pp.16-17

12.4.2 Select Committee on Train Services

The Committee noted that on 11 March 2009, the Legislative Council established a seven Member Select Committee on Train Services with the terms of reference being '*to inquire into the factors leading to and causes of failures in the provision of metropolitan and V/Line train services*'. [307]

In discussing the purpose of the inquiry, matters canvassed centred on finding answers to issues such as train cancellations, delays, service failures, overcrowding, meeting disability discrimination targets, ticketing, the purchase of more trains, rail infrastructure and responsibilities for running a train system.[308]

With a final report to be presented to the Legislative Council by March 2010, the Public Accounts and Estimates Committee will consider the findings when preparing its report on the 2008-09 Financial and Performance Outcomes, especially with regard to the delivery of actions outlined in the VTP and budget initiatives.[309]

12.4.3 Victorian Auditor-General's Annual Plan 2009-10

The Committee noted the Auditor-General's annual plan includes a prospective area of audit interest for 2009-10 which deals with the management of major rail projects, including project outcomes. The Committee agrees with the view expressed by the Auditor-General in the plan that completing major rail capital projects under the VTP on time is critical to achieving the VTP's objectives. In discussing this area of interest to audit, the Auditor-General drew on the findings of previous audits of *Regional Fast Rail, Rail Gauge Standardisation* and the *Restoration of Country Rail Passenger Services* which highlighted areas for improvement in the management and delivery of rail projects.

The Auditor-General also referred in the plan to a finding contained in a 2008 Commonwealth Government report that over half of all injuries at Australian level crossings between 2001 and 2006 occurred in Victoria. An area of performance audit for 2009-10 linked to this finding covers the issue of rail safety. The audit involves examining the management of safety risks at railway crossings, the prioritisation of works and the impact on reducing the incidence of railway crossing accidents. In identifying this project, the Auditor-General drew attention to the VTP which includes $540 million to make level crossings safer across the State.[310] Connected with this matter, the Committee observed that the Road Safety Committee, in completing its *Inquiry into Improving Safety at Level Crossings*, recommended in December 2008 that the Auditor-General undertakes a review of the cost-efficiency of the Level Crossing Upgrade Program. The Committee noted the Road Safety Committee's finding that:[311]

> *Clearly there would be safety benefits to the State if it were found that the level crossing upgrade program could be delivered in a more efficient and cost-effective manner resulting in the upgrading of more crossings.*

307 Parliament of Victoria, Legislative Council Select Committee on Train Services (website), accessed 17 July 2009, www.parliament.vic.gov.au/council/trainservices/

308 Parliament of Victoria, Legislative Council Select Committee on Train Services (website), accessed 17 July 2009, www.parliament.vic.gov.au/council/trainservices/debate

309 Parliament of Victoria, Legislative Council Select Committee on Train Services (website), accessed 17 July 2009, www.parliament.vic.gov.au/council/trainservices/

310 Victorian Auditor-General's Office, *Annual Plan*, 2009-10, p.8

311 Road Safety Committee, *Inquiry into Improving Safety at Level Crossings*, December 2008, p.15

12.4.4 Budget direction

Delivering funding commitments under the first tranche of initiatives under the VTP, the 2009-10 Budget provides $4.9 billion in partnership with the Commonwealth Government for new services and infrastructure to transform Victoria's transport system[312] (total TEI of $4.5 billion with $433 million in output funding across the forward estimates).[313]

The Committee noted that the Government has devoted a specific section in the Budget Papers to the VTP, which discloses commitments under the Plan that have been funded as part of the budget across the forward estimates. Of the total VTP capital allocation over the budget and forward estimates period amounting to $13.6 billion, $4.5 billion has been specifically funded under the Budget, while the remaining State contributions for capital contributions for capital projects will be sourced from Unallocated Capital (refer to Table 12.5).[314]

To build on this initiative, the Committee believes that because of the significance and long-term nature of the VTP, the inclusion of a progress report in the Budget Papers in terms of future planned or revised outcomes as the Plan unfolds would constitute a logical extension in terms of disclosure. Actual performance should be fully accounted for in appropriate annual reports, including the impact that key projects funded under the VTP have had in terms of creating or securing jobs and improving service delivery.

Recommendation 28: **As the Victorian Transport Plan unfolds, the Department of Treasury and Finance include a progress report in the Budget Papers disclosing future planned or revised outcomes.**

Of the 34 VTP initiatives funded under the Budget, the largest State Prioritised Projects and Nation Building Projects according to capital funding provided in the Budget across the budget and forward estimates period are set out in Table 12.5, together with timelines for completion.

312 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.12
313 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, pp.479-81
314 ibid., pp.479-81

Table 12.5: Victorian Transport Plan major asset initiatives according to allocated capital funding 2009-10 Budget

Projects	VTP allocation ($ million) [(a)]	TEI [(c)] ($ million)	Timeline for delivery [(d)]
State Prioritised Projects			
New X'trapolis Trains	650	609.5	Staged roll-out from late 2009 to 2011
South Morang Rail Extension	650	559.1	Start 2010 End 2013
Sunbury Electrification	270	194.5	Start 2010 Metro trains to run from Sunbury in 2012
New Stations in Growth Areas	220	150.8	Start 2010 Caroline Springs (short-term) Lynbrook (End 2012-13) Williams Landing (short-term)
Improving Train Operations – Rail Service Efficiencies	200	111.6	Short-term
Better Roads – Regional Victoria Development	1,200	102.4	85% of expenditure to occur in 2010-11 and 2011-2012
Nation Building Projects			
Nation Building Program (AusLink II – Road and Rail) [(b)]	4,000	1,890.6	Various e.g. Western Ring Road upgrade: Start early 2009, End 2014
Peninsula Link	750	354.3	Construction to begin in December 2009 with the connection open to traffic in early 2013
Separating Road and Rail Lines	440	142.0	The removal of the Springvale Road level crossing in Nunawading in a grade separation to be completed by 2010
Remaining VTP asset initiatives	5,224	350.1	
Total Capital initiatives	**13,604**	**4,464.9**	

Notes: *(a)* *The Committee was advised by the Department of Treasury and Finance that in relation to VTP projects, the remaining State contributions for capital projects that will be sourced from Unallocated Capital of $4.9 billion is not the difference between the total VTP allocation ($13.6 billion) and the total TEI of projects ($4.5 billion) because:*

- *the total VTP allocation includes both capital and output expenditure; and*
- *both the total VTP allocation and the total TEI of projects include Commonwealth funding*

(b) *This item combines the Nation Building Program (AusLink II)- Altona/Laverton Intermodal Terminal ($40 million over four years to 2012-13) and Nation Building Program (AusLink II)- Roads initiatives ($1.8 billion which includes funding of $171.8 million beyond 2012-13)*

(c) *Total capital funding over the budget and forward estimates includes certain funding beyond 2012-13*

(d) *Compiled by the Committee from information contained in the Victorian Transport Plan and the Department of Transport's website*

Source: *Department of Treasury and Finance, Budget Paper No. 3, 2009-10 Service Delivery, pp.361-2 and 480-1*

12.4.5 New X'trapolis Trains

This initiative will purchase a further 20 new X'trapolis trains for the metropolitan network to cater for increasing demand. Funding has also been provided to construct new maintenance and stabling facilities to accommodate the new trains.[315]

In view of the intention of the Government to achieve 40 per cent local content on a whole-of-life basis for train purchases, the Committee maintains that it will be important that the Government works with industry to maximise local content and job creation within Victoria.

The Committee will monitor whether the target of achieving 40 per cent local content of the total contract for the acquisition of both trains and trams is met and holds the view that reporting of outcomes on this issue should occur at regular intervals, including in annual reports.

Recommendation 29: **The Department of Transport report at regular intervals on progress made in achieving 40 per cent local content on a whole-of-life basis for train purchases.**

12.4.6 South Morang Rail Extension

According to material contained in the Budget Papers, activities to be undertaken in 2009-10 that are to be measured relate to the seeking of tenders for work packages (second quarter of 2009-10) and the awarding of the contract for work packages (fourth quarter of 2009-10).[316]

The Premier advised in early May 2009:[317]

> *The South Morang Rail Extension is about putting the infrastructure in place to cater for the 90,000 people expected to settle in the Plenty Valley growth area and importantly, it will deliver jobs now, securing up to 460 jobs during construction.*
>
> *The new rail extension will give people living and working in the outer north better access to employment opportunities by providing a direct link to the recently completed redevelopment of the Plenty Town Centre...*
>
> *The South Morang Rail Extension project is due for completion in 2013.*

At the Budget Estimates hearing, the Committee was interested in hearing from the Minister for Public Transport about what this project will include and how it will benefit the community of the northern suburbs.

315 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.357

316 ibid., p.244

317 Premier of Victoria, Media Release, *State Budget to commit $562.3 million for South Morang Rail Extension*, 1 May 2009

The Minister brought to the Committee's notice that:[318]

- the South Morang project was a complicated and extensive project to undertake;
- the project involves, not only the extension from Epping to South Morang which is 3.5 kilometres of track, but also five kilometres of track to be duplicated between Keon Park and Epping which is at present single track;
- due to the duplication of the track, a second platform is to be established at Thomastown;
- in addition to the new grade-separated 3.5 kilometre track between Epping and South Morang, there is to be a new premium station at South Morang, which will include an intermodal change for bus interchange with provision for car and bicycle parking as well as pedestrian facilities;
- Dalton Road, Pindari Avenue and Civic Drive will have grade separations incorporated into the project;
- grade separations are costly, however will improve the amenity and traffic flows around those areas; and
- removing the bottleneck at Clifton Hill was important before proceeding with this project.

In terms of the possibility of extending the rail line further than South Morang, although population levels are expected to rise significantly in Mernda with a projected increase in households for Mernda/Doreen from 1,098, 4,052, 7,520 and 10,717 in 2006, 2011, 2016 and 2021 respectively,[319] the Committee noted that a line to Mernda remains scheduled for 2027.[320] In bringing forward the completion date of the South Morang rail extension from 2021 to 2013,[321] the Government indicated that it will have the option of extending the track to Mernda once the South Morang project is completed.[322]

The Committee maintains that for complicated and extensive projects that involve features such as grade separations that are costly to provide, there is a continued need for the Government to demonstrate that rail extensions are undertaken in a cost-effective manner. Where demographic factors in growth corridors suggest there may be a case for grouping projects, feasibility studies should be undertaken in a timely manner.

Recommendation 30: **When embarking on major rail extensions, the Department of Transport ensure that:**

(a) **when features such as grade separations are involved that are costly to provide, every effort be made to ensure that projects are undertaken in a cost effective manner; and**

(b) **in the event that demographic factors in growth corridors suggest that the grouping of projects may be appropriate, feasibility studies be undertaken in a timely manner to justify proceeding with priority projects.**

318 Hon. L Kosky MLA, Minister for Public Transport, 2009-10 Budget Estimates hearing, transcript of evidence, 13 May 2009, p.12

319 City of Whittlesea, Investor Information provided by OHL Group, *Doreen/Mernda Suburb Profile* , June 2009

320 Whittlesea Leader, *State Government forks out $562m for South Morang rail extension*, 6 May 2009

321 Hon. L Kosky MLA, Minister for Public Transport, media release, *Metro train network extended to South Morang, Sunbury, Melton and Cranbourne East,* 8 December 2008

322 Whittlesea Leader, *State Government forks out $562m for South Morang rail extension*, 6 May 2009

12.4.7 Sunbury rail line electrification

The Budget Papers show that activities to be undertaken in 2009-10 that are to be measured relate to the seeking of tenders for work packages (second quarter of 2009-10) and the awarding of the contract for work packages (fourth quarter of 2009-10).[323]

The Committee was interested in gaining an understanding from the Minister for Public Transport how the residents on the Sunbury – Sydenham corridor would benefit from electrification of the Sunbury line.

As the Minister explained, at present the V/Line trains that operate from Sunbury to the Melbourne Central Business District carry around 360 passengers whereas, in comparison, the metropolitan trains that have to run on an electrified line can carry in excess of 800 passengers per train. In the peak period, that makes a significant difference in terms of the number of passengers that can be transported along the whole Sydenham corridor, where patronage has grown by 55 per cent over the last three years.

The electrification of the 15 kilometres of rail infrastructure, due for completion in 2012, is to include stabling facilities for five trains at Sunbury and additional car parking space which will include 500 spaces at Diggers Rest railway station and 100 at Sunbury.[324] The electrification of the track between Watergardens and Sunbury will, according to the Government, enable approximately 1,800 more people each hour to commute along the Sunbury rail corridor[325] and secure 240 jobs in construction.[326]

The Committee is of the view that, while it is clear that the provision of high frequency electric train services to Sunbury will encourage higher rates of public transport use in Melbourne's north west and will be very important for Sunbury as a growth area, it will be essential that a high standard of service aimed at service improvement, particularly with regard to cleanliness and punctuality, is provided on the metropolitan trains running on the electrified system.

Recommendation 31: **For the Sunbury rail line electrification project, the Department of Transport should continue to place an emphasis on providing a high standard of service in relation to the metropolitan trains running on the electrified system, particularly with regard to cleanliness and punctuality.**

12.4.8 New stations in growth areas

Under this initiative, funding is provided to construct and operate new stations at Williams Landing, Lynbrook and Caroline Springs,[327] which will secure up to 210 jobs in construction.[328]

323 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.244
324 Hon. L Kosky MLA, Minister for Public Transport, 2009-10 Budget Estimates hearing, transcript of evidence, 13 May 2009, pp.23-24
325 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.359
326 www.vline.com.au/media/news/Media Releases - Premier of Victoria, *$2.07 billion boost to Victoria's train, tram and bus networks – and jobs, 5* May 2009, accessed 23 July 2009
327 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.357
328 www.vline.com.au/media/news/Media Releases - Premier of Victoria, *$2.07 billion boost to Victoria's train, tram and bus networks – and jobs, 5* May 2009, accessed 23 July 2009

12.4.9 Improving train operations – rail service efficiencies

Funding in the budget is provided for a program to continuously improve the reliability and capacity of rail services across Melbourne, including the upgrading of train and tram control and monitoring systems.[329]

The Committee will be interested in examining the findings that emerge from the Select Committee's inquiry into the factors leading to and causes of failures in the provision of metropolitan and V/Line train services and the implications of the Government response in terms of budget formulation.

12.4.10 Better Roads – Regional Victoria Development

Funding is provided to improve road conditions and capacity in regional Victoria.[330] The Committee noted that of the $102.4 million allocated over the forward estimates, the vast majority of the capital expenditure will occur in 2010-11 ($29.9 million or 29.2 per cent) and 2011-12 ($57.5 million or 56.2 per cent).[331]

12.4.11 Nation Building Program

Under this program, funding is allocated to road projects of national importance that are part funded by the Commonwealth Government.[332] In this regard, the Minister for Roads and Ports advised the Committee that the State is contributing $390.1 million to the $1.9 billion in the Nation Building Program (AusLink 11) road projects being delivered in partnership with the Commonwealth Government.[333]

Of the new projects, the Committee noted that the largest project in terms of Commonwealth Government funding related to the upgrade of the Western Ring Road. With an estimated project cost of $1.2 billion, Commonwealth Government funding is capped at $900 million within the five year period and is provided on the basis that the Commonwealth Government will provide 75 per cent of project costs subject to Victoria providing 25 per cent of costs within this period. Additional funding will be considered in future budgets.[334]

12.4.12 Peninsula Link

The construction of a 25 kilometre four-lane connection between EastLink at Carrum Downs to the Mornington Peninsula Freeway at Mount Martha is intended to unblock congestion in the Frankston area, while reducing the amount of traffic that needs to travel through Frankston City and other Peninsula towns.[335]

The Committee noted that an estimated 4,000 jobs in construction will be secured for the life of this project.[336]

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329 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.356
330 ibid., p.355
331 ibid., p.480
332 ibid., p.357
333 Mr. T Pallas, MP, Minister for Roads and Ports, 2009-10 Budget Estimates hearing, transcript of evidence, 15 May 2009, p.4
334 www.nationbuildingprogram.gov.au/funding/projects, accessed 23 July 2009
335 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.358
336 Mr. T Pallas, MP, Minister for Roads and Ports, 2009-10 Budget Estimates hearing, transcript of evidence, 15 May 2009, p.4

12.4.13 Separating road and rail lines

In partnership with the Commonwealth, funding is provided to lower the railway line and build a new road crossing over it to allow the smooth flow of traffic and trains at Springvale Road Nunawading, where 50,000 vehicles and 218 trains cross every day. While construction of a new railway station at Nunawading will replace the existing station, funding will also be provided for the planning of future grade separation projects.[337]

The elimination of the level crossing at Springvale Road, Nunawading is expected to secure 220 jobs in construction.[338]

337 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.359

338 www.vline.com.au/media/news/Media Releases - Premier of Victoria, *$2.07 billion boost to Victoria's train, tram and bus networks – and jobs*, 5 May 2009, accessed 23 July 2009

CHAPTER 13: QUALITY HEALTH AND EDUCATION

Key findings of the Committee:

2.1 **In May 2008, the National Assessment Program – Literacy and Numeracy (NAPLAN) replaced the different tests previously conducted in each State and Territory, including Victoria's Achievement Improvement Monitor (AIM). NAPLAN seeks to measure student achievement in reading, writing and numeracy. The NAPLAN results showed that Victoria was one of the highest performing states in Australia, achieving at above the national average in reading, writing and numeracy.**

2.2 **Victorian Indigenous students were among the highest performing in Australia and above the national average in reading, writing and numeracy.**

2.3 **The Government accepted Recommendation 27 from the Committee's Report on the 2008-09 Budget Estimates that it examine the reasons behind the significant variations in the performance of Indigenous students across the three benchmarks: reading, writing and numeracy.**

2.4 **The Government has released the Victorian Mental Health Reform Strategy 2009-2019, which sets out the Government's policy aims for mental health in Victoria. The Government has committed over $26 million to mental health in the 2009-10 Budget and over $180 million for mental health from 2009-10 to 2012-13.**

2.5 **The Crisis Assessment and Treatment (CAT) service is a community based outreach program to assess and treat people in acute phases of mental illness. To improve the capacity of CAT services, the Government has allocated $11.2 million over four years for a centralised 24 hour, seven day a week mental health triage service.**

2.6 **Ultranet is an online education and administrative system the Government plans on implementing in all Victorian Government schools by 2010. The $60.5 million project is a web-based system and will give students, parents and teachers access to curriculum related information and other resources.**

2.7 **To support the Ultranet system, the 2009-10 Budget extends the funding for Ultranet Coaches. The Ultranet Coaches have been employed to work with schools and the community in preparation for the Ultranet system.**

13.1 Introduction

In its analysis of the Budget Estimates, the Committee asked a total of 66 questions pertaining to the Quality Health and Education vision of the *Growing Victoria Together* (GVT) initiative. This represented 13.7 per cent of all questions asked in the Budget Estimates hearings.

The answers provided at the estimates hearings were recorded in Hansard and the transcripts of evidence were contained in Volume Two of the *Report on the 2009-10 Budget Estimates – Part One*.

This chapter sets out an analysis of several key issues canvassed by the Committee at the Budget Estimates hearings relating to the Quality Health and Education vision of *Growing Victoria Together*.

13.2 Literacy and Numeracy in schools

The Government considers Education to be its number one priority and has continued to place a high importance on strengthening literacy and numeracy skills in Government schools to provide children with a solid foundation to prepare them for further education and to participate fully in society.[339]

One of the Government's key measures of progress towards the *Growing Victoria Together* goal of '*high quality education and training for lifelong learning*' is '*the proportion of Victorian primary students achieving the national benchmark levels for reading, writing and numeracy will be at or above the national average.*'[340]

The Committee recognises the importance of literacy and numeracy skills and has taken an interest in this area in past reports.

13.2.1 National Assessment Program – Literacy and Numeracy (NAPLAN)

In 2008, the Commonwealth Government launched a national literacy and numeracy testing program, which replaced the individual tests previously conducted in each State and Territory. The National Assessment Program – Literacy and Numeracy (NAPLAN) tests are conducted in May each year in all government and non-government schools to assess students in Years 3, 5, 7 and 9 on numeracy, reading, writing, and language conventions (spelling, punctuation and grammar).[341] NAPLAN was designed using nationally agreed Statements of Learning and broadly aligns with the curriculum of States and Territories.[342] In Victoria, NAPLAN replaced the Achievement Improvement Monitor (AIM) tests that were held in August each year.[343]

The decision to introduce a national testing program was made by the Ministerial Council on Education, Employment, Training and Youth Affairs, with the aim of improving national comparisons of student performance in literacy and numeracy. Conducting a common national test eliminates the technical problems of making comparisons with the different tests in each State and Territory. In addition, NAPLAN provides teachers and schools with information to inform curriculum development, improve education programs, and identify and support students requiring additional support.[344]

339 Media release: '*Blueprint makes Victoria Education Revolution Ready'*, 2 September 2008; and Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, pp.25, 400

340 Department of Premier and Cabinet, *Growing Victoria Together, A Vision for Victoria to 2010 and Beyond*, March 2005, p.10

341 Ministerial Council for Education, Early Childhood Development and Youth Affairs, *National Assessment Program Literacy and Numeracy, Achievement in Reading, Writing, Language Conventions and Numeracy*, September 2008, p.2

342 Ministerial Council for Education, Early Childhood Development and Youth Affairs, *Frequently asked questions*: *NAPLAN*, May 2009, pp.2-3

343 Victorian Auditor-General's Office, *Literacy and Numeracy Achievement*, February 2009, p.19

344 Ministerial Council for Education, Early Childhood Development and Youth Affairs, *National Report on Schooling in Australia 2007 Preliminary Paper: National Benchmark Results Reading, Writing and Numeracy Years* 3, *5 and 7*, pp.2-3

NAPLAN uses a different methodology to measure student achievement than that used in previous state and territory tests. Student attainment was previously assessed against benchmarks developed at a national level, representing minimum acceptable standards in reading, writing and numeracy.[345] In comparison, NAPLAN measures student achievement against a national minimum standard, which is based on the attainment of pre-determined achievement scales for each year level.[346] Students not achieving the national minimum standard require additional support from teachers to help them develop the necessary skills and knowledge to progress further. [347]

The use of a different methodology means that NAPLAN results are not comparable with previous AIM results. Unlike AIM, NAPLAN results do not differentiate between government and non-government schools. However, an advantage of the new methodology is that it allows for the monitoring of student progress over time throughout the school years, which is critical given the findings of a recent report on literacy and numeracy achievement by the Victorian Auditor-General's Office. This report found that improvements in literacy and numeracy made by student cohorts in the early years of primary school were not sustained over the years of schooling.[348]

Given that NAPLAN is the new assessment for literacy and numeracy achievement in Victorian students, the Committee recommends that:

Recommendation 32: **The Department of Education and Early Childhood Development ensure that detailed information about the National Assessment Program – Literacy and Numeracy testing program, including differences between it and the previous Achievement Improvement Monitor testing is provided in its annual report and on its website.**

13.2.2 Results of 2008 NAPLAN testing

The Committee was pleased to note that the results of the 2008 NAPLAN tests in Table 13.1 show that Victoria is achieving NAPLAN test results well above the national average in reading, writing and numeracy. Victoria was one of the highest performing states in Australia, along with the Australian Capital Territory and New South Wales.

13.2.3 Results of NAPLAN testing for Indigenous students

As in previous years, lower targets have been set for Victorian Indigenous students for reading, writing and numeracy than for non-Indigenous students, which is due to the average lower achievement of Indigenous students in literacy and numeracy (See Table 13.2). The Government is addressing this issue through the 2008 *Wannik: Learning Together – Journey to Our Future* strategy, which aims to improve the writing, reading and numeracy skills of Victorian Indigenous students.

345 Victorian Curriculum and Assessment Authority, http://www.vcaa.vic.edu.au/prep10/aim/parents/faqs.html accessed 3 August 2009

346 Ministerial Council for Education, Early Childhood Development and Youth Affairs, *National Report on Schooling in Australia 2007 Preliminary Paper: National Benchmark Results Reading, Writing and Numeracy Years* 3, *5 and 7*, 2007, p.3

347 ibid., pp.2-3

348 ibid., p.3; and Victorian Auditor-General's Report, *Literacy and Numeracy Achievement*, February 2009, p.2

Although NAPLAN results are not directly comparable to results in previous years, as discussed above, similar broad patterns are evident, including: [349]

- the achievement of Victorian Indigenous students in reading, writing and numeracy is lower than Victorian non-Indigenous students; and
- Victorian Indigenous students have a higher level of achievement than Indigenous students in other States and Territories.

In comparison to other States and Territories, Victorian Indigenous students were among the highest performing, along with the Australian Capital Territory, Tasmania and New South Wales.

[349] Department of Education and Early Childhood Development, *Wannik: Learning Together – Journey to Our Future*, Victorian Education Strategy for Koorie Students, 2008, pp.8-9

Table 13.1: Percentage of school students at or above the national minimum standard in reading, writing and numeracy by State and Territory (NAPLAN 2008)

Year	Reading, writing and numeracy	NSW	Qld	WA	SA	Tas	ACT	NT	Vic	Victoria 2009-10 Target (%) [(a)]	National average	Difference between Victoria's results and 2009-10 target (%)
3	reading	95.1	87.0	89.5	91.5	92.8	94.4	63.1	95.2	91	92.1	4.2
	writing	97.5	92.5	94.9	95	97.1	96.3	73.6	96.2	na	95.4	na
	numeracy	96.9	91.9	94.7	93.8	96.7	96.4	77.3	96.5	94	95.0	2.5
5	reading	93.5	86.7	89.2	89.9	89.7	94.8	62.6	93.7	90	90.9	3.7
	writing	95.1	89.5	91.0	91.7	92.6	94.9	65.5	93.9	na	92.5	na
	numeracy	94.4	90.2	91.2	90.5	92.1	94.9	69.3	94.6	92	92.6	2.6
7	reading	95.4	92.7	92.8	93.4	93.9	96.3	67.8	95.8	93	94.2	2.8
	writing	93.5	89.9	90.2	92.4	90.0	93.4	64.1	93.4	na	91.8	na
	numeracy	96.0	94.6	94.8	94.5	95.2	97.1	76.8	96.5	95	95.4	1.5
9	reading	94.4	90.4	92.2	91.7	93.0	96.6	70.8	94.7	92	92.9	2.7
	writing	88.9	83.6	85.6	87.2	84.1	88.9	63.5	90.1	na	87.2	na
	numeracy	94.7	92.1	92.7	92.0	92.3	96.6	75.0	95.2	93	93.6	2.2

Notes: *(a) Actual time frame is the 2009 calendar year. There are no targets for 2008 as this is a new measure.*

(b) The Government has not specified writing targets for Victorian students for 2009-10.

Source: *Budget Paper No. 3, 2009-10 Service Delivery, p.75-77; National Assessment Program Literacy and Numeracy NAPLAN Summary Report: Achievement in Reading, Writing, Language Conventions and Numeracy, 2008, Ministerial Council on Education, Employment, Training and Youth Affairs; NAPLAN Indigenous Results http://www.mceecdya.edu.au/mceecdya/default.asp?id=25847, viewed 7 August 2009*

Table 13.2: Percentage of Indigenous school students at or above the national minimum standard in reading, writing and numeracy by State and Territory (NAPLAN 2008).

Year	Reading, writing and numeracy	NSW	Qld	WA	SA	Tas	ACT	NT	Vic	National average	Vic 2009-10 Target (%) [(a)]	Difference between Victoria's results and 2009-10 target (%)
3	reading	83.5	66.2	57.3	71.5	88.4	84.9	30.4	88.1	68.3	66	22.1
	writing	90.9	77.2	72.0	82.5	94.2	89.5	46.6	92.1	78.8	na	na
	numeracy	88.6	75.5	75.5	79.2	94.5	88.4	52.4	93.0	78.6	76	17
5	reading	77.6	62.9	51.8	60.6	84.5	81.1	25.8	83.0	63.4	61	22
	writing	81.7	72.0	59.2	69.0	83.8	82.1	32.8	82.7	69.7	na	na
	numeracy	78.9	69.5	61.6	68.5	87.8	82.3	38.3	83.3	69.2	67	16.3
7	reading	82.4	74.8	63.4	69.6	89.0	94.3	32.4	85.5	71.9	69	16.5
	writing	76.9	72.3	59.9	67.5	81.9	84.1	29.9	77.6	67.9	na	na
	numeracy	84.5	81.8	74.2	75.9	92.4	90.3	50.2	87.9	78.6	76	11.9
9	reading	82.3	70.0	62.8	62.5	90.7	84.2	37.9	79.9	70.7	68	11.9
	writing	67.7	61.8	49.9	57.4	68.9	73.4	32.8	68.9	59.7	na	na
	numeracy	80.3	73.2	66.2	68.7	88.5	83.8	46.1	78.4	72.5	70	8.4

Notes: *(a) Actual time frame is the 2009 calendar year.*

na – the Government has not specified writing targets for Victorian students for 2009-10.

Source: *Budget Paper No. 3, 2009-10 Service Delivery, p.75-77; National Assessment Program Literacy and Numeracy NAPLAN Summary Report: Achievement in Reading, Writing, Language Conventions and Numeracy, 2008, Ministerial Council on Education, Employment, Training and Youth Affairs; NAPLAN Indigenous Results http://www.mceecdya.edu.au/mceecdya/default.asp?id=25847, viewed 7 August 2009*

13.2.4 Government response to Committee recommendations related to the performance of Indigenous students

In its report on the *2008-09 Budget Estimates – Part Three*, the Committee recommended that the Department of Education and Early Childhood Development report on the effectiveness of the *Wannik: Learning Together – Journey to Our Future* strategy in improving writing, reading and numeracy skills for Indigenous students and use this information to refine the strategy.

The Government response accepted the Committee's recommendation. The Department of Education and Early Childhood Development informed the Committee that they intend to regularly report on the outcomes of the *Wannik* strategy using a range of reporting frameworks. An evaluation of the outcomes of the Koorie specific Individual Education Plans will also be conducted.

The Committee welcomes the Government's response to reporting on the outcomes of the strategy and reaffirms its earlier recommendation to use this information to refine the Strategy.

The Committee also recommended that the Department of Education and Early Childhood Development examine the reasons behind the significant variations in the performance of Indigenous students across the three benchmarks: reading, writing and numeracy.

The Government response accepted the Committee's recommendation. The Department informed the Committee that they had conducted a comprehensive review of Koorie education in Victoria in 2007 that covered the performance of Koorie students across literacy and numeracy benchmarks. The outcomes of this review included informing the development of the *Wannik: Learning Together – Journey to Our Future* education strategy for Koorie students. The Department advised the Committee that they will ensure that recommendations from the review are implemented through *Wannik*.[350]

While the Committee acknowledges that the Department carried out an extensive review on Koorie education, the Committee considers that there could be a need for further research to be conducted to determine the causes of wide variations in the performance of Indigenous students from year to year and between the three benchmarks of reading, writing and numeracy. The Committee would like to ensure that the underlying causes of these variations are taken in account and used to inform the further development of programs to support Indigenous students in achieving their maximum potential in literacy and numeracy.

13.2.5 Measuring performance of literacy and numeracy outcomes

Growing Victoria Together education goal

The Committee noted that with the introduction of NAPLAN, student achievement in literacy and numeracy is now measured against the new national minimum standards, replacing the national benchmarks. Therefore, the Government's key measure of progress towards the *Growing Victoria Together* education goal will require appropriate adjustments to reflect this change. The Committee considers that the Department of Premier and Cabinet should reflect this change in the *Growing Victoria Together* goal.

350 Victorian Government, *Government Response to the Recommendations of the Public Account and Estimates Committee's 80th Report on the 2008-09 Budget Estimates*, tabled 19 April 2009, p.19

Recommendation 33: **The Department of Premier and Cabinet make appropriate adjustments to the Government's key measure of progress towards the Growing Victoria Together education goal to reflect the replacement of the national benchmark measures with the new national minimum standards.**

Performance measures

With the introduction of NAPLAN testing, the 2009-10 Budget has introduced a suite of 16 new performance measures and targets for literacy and numeracy to measure the percentage of students meeting the national minimum standard for reading and numeracy in Years 3, 5, 7 and 9. This includes measures for Indigenous students. These performance measures replace 12 discontinued measures that previously reported student achievement from AIM results in reading and numeracy for Years 3 and 5.[351]

The Committee welcomes the introduction of performance measures for student achievement in reading and numeracy for years 7 and 9, as this will promote greater transparency and allow assessment of student progress across school years.

The 2009-10 targets for the new performance measures, in the previous tables, are based on the percentage of Australian children meeting the national minimum standard for reading and numeracy in the 2008 NAPLAN tests. The government intends to review these targets in the future.[352]

The Committee would like the Department to provide to Parliament in its annual report the yearly results for student achievement in literacy, numeracy and reading.

Recommendation 34: **The Department of Treasury and Finance and the Department of Education and Early Childhood Development report the results for student achievement in literacy, numeracy and reading in future annual reports.**

Service delivery targets

The 2009-10 service delivery targets for education are based on the Government's *Growing Victoria Together* measure '*The proportion of Victorian primary students achieving the national benchmark levels for reading, writing and numeracy will be at or above the national average.*'[353] As discussed above, this measure now needs to be revised. However, the Committee found in its analysis of the testing results for 2008, Victoria exceeded against the 2009-10 targets set by between 1.5 per cent and 4.2 per cent. For Indigenous students, the target was exceeded by between 8.4 per cent and 22.1 per cent.

The Auditor-General noted in his recent report *Literacy and Numeracy Achievement* commented that Victorian students were achieving the national minimum standards set under NAPLAN and were above the national average in every test at every year level. Victoria also had the smallest proportion of students that did not meet the minimum standards as well as the largest proportion of students that achieved at the highest levels of testing.[354]

351 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.74-77, 442-444
352 ibid., p.77
353 Department of Premier and Cabinet, *Growing Victoria Together, A Vision for 2010 and Beyond*, 2005, p.10
354 Victorian Auditor-General's Office, *Literacy and Numeracy Achievement*, February 2009, p.21

The Committee considers that given Victoria's high performance, the service delivery targets could better reflect that performance. The *Growing Victoria Together* measure could be exceeding the national minimum standard rather than simply achieving the minimum standard.

Recommendation 35: **The Department of Education and Early Childhood Development adopt service delivery targets for the National Assessment Program – Literacy and Numeracy measurements that exceed the national minimum standards.**

As NAPLAN does not report separate results for government and non-government schools, it is difficult to assess accurately the outcomes of the Government's vision for literacy and numeracy achievements for government schools. In future years, the Committee would welcome NAPLAN results that differentiate between government schools and non-government schools to improve accountability.

The national measurement of student literacy achievement, as reported in the *National Report on Schooling in Australia* uses both reading and writing test scores.[355] It is unclear why the Department of Education and Early Childhood Development omitted writing as a performance measure. The Committee believes that reporting student litearcy achievement using both reading and writing test results will provide a more accurate representation of outcomes in this area.

Recommendation 36: **The Department of Education and Early Childhood Development develop and report on appropriate performance measures and targets to assess student achievement in writing.**

13.3 Mental health portfolio

Approximately one in five people in Victoria will at some time in their life experience a mental illness and most people will at some time experience a mental health problem. Mental illness is a generic term that refers to a range of illnesses including but not limited to depression, schizophrenia, personality disorders, anxiety and eating disorders. Mental health problems are less severe than this and are generally a temporary reaction to life stressors, however if not dealt with can become mental illnesses.[356]

13.3.1 Victorian Mental Health Reform Strategy

In March 2009, the Government released the *Victorian Mental Health Reform Strategy 2009-2019* (the Mental Health Strategy) which sets out the Government's policy and aims for mental health in Victoria. One of the most important features of the Mental Health Strategy is that it recognises that mental health needs a whole-of-government approach to ensure that there can be fundamental shifts in policy and service delivery.[357]

The Government is also in the process of reviewing the *Mental Health Act 1986* to ensure that the legislative framework in place can adequately support the reforms in the Government's Mental Health Strategy.

355 Ministerial Council on Education, Employment, Training and Youth Affairs, *The National Report on Schooling in Australia*, 2007

356 Department of Health and Ageing, *What is mental illness?*, May 2007, Canberra, p.2

357 Department of Human Services, *Victorian Mental Health Reform Strategy – Summary*, March 2009, p.6

The vision for mental health is defined in the Strategy as:[358]

> *All Victorians have the opportunities they need to maintain good mental health, while those experiencing mental health problems can access timely, high quality care and support to live successfully in the community.*

The Mental Health Strategy also sets out a vision for Victoria towards 2019 for service delivery for those with a mental illness and society's attitude towards mental illness. In achieving this, the Mental Health Strategy sets out the following four core elements:[359]

- **Prevention** – preventing or delaying the emergence of some mental health problem as well as promoting positive mental health in the community;
- **Early intervention –** minimising the impact of mental illness on individuals, families, carers and the wider community by intervening early in a person's life or in an episode of illness to decrease the escalation;
- **Recovery** – promoting treatment and ongoing support that offers the individual the possibility of achieving change, independence and the opportunity to achieve their personal goals and lead productive lives; and
- **Social inclusion** – ensuring that people with mental illness and mental health problems as well as their families and carers can participate in society, with the aim of preventing further mental health problems.

The Mental Health Strategy sets out eight Reform Areas, which each have four goals and a list of actions to meet the goals.

To support the Mental Health Strategy, the Victorian Government has committed over $26 million to mental health in the 2009-10 Budget, with more than $180 million to be spent on mental health in the next four years. The table below shows the government's expenditure, broken down by program and year.

Table 13.3: Funding for mental health initiatives 2009-10 to 2012-13

Mental health programs	2009-10 ($million)	2010-11 ($million)	2011-12 ($million)	2012-13 ($million)	Total ($million)
Foundations for Recovery	7.8	9.9	10.1	10.1	**37.7**
Early in Life	3.4	5.8	6.0	6.1	**21.3**
Pathways to Care	1.5	3.1	3.2	3.3	**11.2**
Aboriginal Mental Health	0.2	0.2	0.2	0.2	**0.9**
Workforce and Service Development	1.5	1.6	1.7	1.7	**6.6**
Strengthening Specialist Support	5.1	5.3	5.4	5.6	**21.4**
Boosting capacity	2.2	2.3	2.3	2.4	**9.2**
Investing in more beds	4.4	23.1	20.5	16.8	**74.0**[(a)]
Total per year	**26.1**	**51.3**	**49.4**	**46.2**	**182.1**

Notes: *(a) includes capital contributions of $3.7 from agencies and expenditure beyond 2012-13*

Source: *Minister for Mental Health, response to questions taken on notice, 19 May 2009, p. 3 and Budget Paper No. 3, 2009-10 Service Delivery, p. 321.*

358 Department of Human Services, *Victorian Mental Health Reform Strategy – Summary*, March 2009, p.7

359 ibid., p.5

The Committee considers that the Government has put in place a comprehensive strategy for mental health, supported by a substantial investment in funds over the next four years for a diverse range of programs. The Committee notes that the Department of Health needs to monitor this strategy to ensure that the Reform Areas in place and the goals are achieved. Performance measures should cover the implementation of the Strategy and each of the Reform Areas and goals.

Recommendation 37: **The Department of Health implement appropriate performance measures for the Victorian Mental Health Reform Strategy.**

Reporting against the Strategy is important, as it ensures that Parliament, stakeholders and the wider community are informed in relation to the actions that the Department of Health has achieved. Departments have a range of reporting mechanisms in place, including annual reports. The Committee found that other jurisdictions such as the Commonwealth and New South Wales publish reports on government initiatives against mental health action plans.[360] A similar report would provide value in Victoria.

Recommendation 38: **The Department of Health consider reporting yearly progress against the Victorian Mental Health Reform Strategy via a separate report.**

13.3.2 Crisis Assessment and Treatment (CAT) service and 24 hour mental health triage service

The Crisis Assessment and Treatment (CAT) service is a community based outreach program that assesses and treats people in acute phases of mental illness. CAT services are made up of both short-term treatment to individuals in the community and also facilitating access for individuals to inpatients services, should this be required. There are 13 metropolitan CAT teams and eight rural services throughout Victoria.[361] The services operate differently, some have triage services and an over the phone assessment and other services respond to incidents.[362]

At the Committee's Budget Estimates hearing, in response to questions regarding performance indicators for the CAT service, the Minister said:[363]

> *We already have a series of KPIs…Each service obviously provides us daily with information about their response times and who they have responded to, so we have that detail, but we need to continue to ensure that our performance measures match the direction we want to go in terms of the reform of the mental health system.*

360 New South Wales Department of Health, *Interagency Action Plan for Better Mental Health Second Yearly Progress Report*, April 2008, and Department of Health and Ageing, *Commonwealth's component of the COAG National Action Plan on Mental Heath (2006-2011)*, May 2009.

361 Department of Human Services, *A review of crisis assessment and treatment (CAT) services and functions*, July 2007, pp.1-2

362 Ms L Neville MP, Minister for Mental Health, 2009-10 Budget Estimates hearing, transcript of evidence, 19 May 2009, p.5

363 ibid., p.6

The Department of Human Service undertook a review of CAT services in 2007. The report found that in the previous five years, CAT services had an increase in demand for immediate access for assessment and also crisis intervention. This meant that resources were diverted away from CAT services providing short-term community-based intensive treatment. As a possible future direction, the review suggested that a 24 hour triage service was necessary to allow CAT services to undertake more intensive community based treatment.[364]

As part of the Mental Health Strategy, the Government stated that they will be examining ways in which CAT services can be focused to provide more short-term community-based intensive community care for individuals by implementing a 24 hour, seven day a week psychiatric triage service to provide more assessments. The Strategy also anticipates that such a triage service would improve the capacity of not only CAT services but also police and ambulance services to respond to emergencies.[365]

As part of the 2009-10 Budget, the Government has allocated $11.2 million over four years to provide a centralised 24 hour, seven day a week mental health triage service.[366] The Committee was informed by the Minister that this service would be operational in 2009 and that it was anticipated that this triage service would provide CAT services with more capacity to respond to other issues.[367]

The Committee considers that, in light of these changes, performance indicators for the CAT service should be reviewed. The Department of Health could consider also developing performance measures that assess the responsiveness of CAT services in regards to the ability to respond to requests and the time taken to respond.

Recommendation 39: **The Department of Health review performance indicators for the Crisis Assessment and Treatment Service and consider the addition of performance measures that assess response times.**

13.4 Ultranet

Ultranet is a new online education and administrative system that is to be implemented in all Victorian Government schools by 2010. The $60.5 million project was announced as an election commitment in *Labor's Financial Statement 2006*, as part of the *Victorian Schools Plan* and the *Blueprint for Education and Early Childhood Development (the Blueprint).*[368]

Students, teachers and parents will have access to Ultranet. The web-based system will offer students opportunities to develop vital knowledge and skills in computer use and related technologies to prepare them for future education and workforce participation.[369]

364 Department of Human Services, *A review of crisis assessment and treatment (CAT) services and functions*, July 2007, pp.29-30

365 Department of Human Services, *Victorian Mental Health Reform Strategy 2009-2019*, February 2009, p.85

366 Department of Human Services, *Fact sheet: Mental health reform*, May 2009, pp.1-2

367 Ms L Neville MP, Minister for Mental Health, 2009-10 Budget Estimates hearing, transcript of evidence, 19 May 2009, pp.5-6

368 Hon. B Pike MP, Minister for Education, Victorian Schools a step closer to the Ultranet, media release, 21 November 2004; and Blueprint for Education and Early Childhood Development, 2008, pp.29, 35

369 Department of Education and Early Childhood Development, Ultranet, accessed 21 July 2007, http://www.education.vic.gov.au/management/ultranet/default.htm; and Council of Australian Governments' National Reform Agenda, Victorian's Plan to improve literacy and numeracy outcomes, April 2007, p.43

In line with the *Blueprint*, the main aims of Ultranet are to:[370]

- better respond to 'individual learning needs' by providing students with access to their own online work area, teacher support, curriculum related information and other resources;
- promote greater involvement of parents in their child's education, including access to lessons, homework, marks and attendance, an automatic function to notify parents by email, text or phone when their child does not attend school, and the facility to email teachers;
- increase the efficiency of school administration systems, including timetabling and attendance records, thereby reducing the administrative workload on teachers; and
- contribute to the professional development of teachers.

In 2005, the former Department of Education and Training conducted a pilot project of Ultranet at 12 schools over 18 months, which was evaluated by the University of Melbourne. The results provided information to assist in the development and rollout of Ultranet in schools.[371]

In August 2007, the Department of Education and Early Childhood Development put out a request for tender to develop Ultranet system.[372] The staged rollout to all government primary, secondary, language and special schools was scheduled to begin in 2008 for completion by the end of term 3, 2010. However, the rollout was delayed when the original tender process was unsuccessful and a decision was made to re-tender. In June 2009, CSG Limited, an IT services company, was awarded the contract.[373]

The Auditor-General Office's Annual Plan for 2009-10 includes *'learning technologies in government schools, including the status of the implementation of Ultranet'* as an area of audit interest in 2010-11.[374] The Committee welcomes the conduct of such a review.

The amount of funding to be provided each year for the implementation of the Ultranet project in all Victorian schools is outlined in Table 13.4.

Table 13.4: Funding for implementation of Ultranet

Labor's Financial Statement 2006 asset initiative	2008-09 ($ million)	2009-10 ($ million)	2010-11 ($ million)	Total
Ultranet	42.0	15.5	3.0	60.5

Source: 2009-10 Budget Paper No. 3, p.277

370 Council of Australian Governments' National Reform Agenda, Victorian's Plan to improve literacy and numeracy outcomes, p.43; and Department of Education and Early Childhood Development, Ultranet Coaches 2009 Handbook: Improving Student Outcomes enabled by ICT, (2009), p.1

371 Assessment Research Centre, The University of Melbourne, Griffin, P., & Woods, K. (2005) Evaluation of the pilot implementation of the Student@centre Ultranet in Victorian schools: Baseline results

372 Department of Education and Early Childhood Development, *2007-08 Annual Report*, October 2008, p.38

373 CSG Limited, CSG Ltd to deliver Ultranet to Victorian Government Schools, *Media Release*, 29 June 2009

374 Victorian Auditor-General's Office, *Annual Plan 2009-10*, p.21

During the Budget Estimates hearings, the Committee was advised that the $42 million allocated up to June 2009 includes expenditure of $5 million in procurement, and that the total allocation for 2008-09 had not been fully expended. The Minister for Education also stated that despite project delays, the original 2010 timeline and budget would still be met.[375] The Committee considers that the Department of Education and Early Childhood Development will need to closely monitor the development and implementation of Ultranet to ensure the planned completion date of the project is met.

In examining this issue, the Committee acknowledges the challenges involved in implementing an ICT project of this scale and encourages the Department to refer to the Auditor-General's good practice guide, *Investing Smarter in Public Sector ICT: Turning Principles into Practice* to assist in this process.[376]

13.4.1 Ultranet Coaches

The Ultranet Coaches initiative commenced in January 2008. This was the first phase of the Ultranet Coaches initiative.[377] Ultranet coaches make up part of the Department of Education and Early Childhood Development's third largest largest budget initiative, which will provide $57.7 million over three years, commencing in January 2010 for the second phase of the Ultranet rollout. The funding will extend the 50 Ultranet Coaches as well as employ 200 Teaching and Learning Coaches over the next three years.[378]

Table 13.5: Funding for Teaching and Learning and Ultranet Coaches

	2009-10 ($ million)	2010-11 ($ million)	2011-12 ($ million)	Total ($ million)
Teaching and Learning and Ultranet Coaches	13.9	29.0	14.7	57.7

Source: 2009-10 Budget Paper No. 3, p.306

There is $12 million provided for in the 2009-10 Budget for Ultranet Coaches.[379] This information is provided in text format in Chapter 1 of Budget Paper No. 3, however under output initiatives for Education and Early Childhood Development, the Teaching and Learning and Ultranet Coaches are displayed as one line item.[380] The Committee considers that given the amount of funding being spent on this output initiative, there would be merit in showing the amount being provided for Ultranet Coaches and Teaching and Learning Coaches separately.

Recommendation 40: **The Department of Education and Early Childhood Development include the cost of Ultranet Coaches as a separate line item in its annual reports and Budget Papers.**

375 Hon. B Pike MP, Minister for Education, 2009-10 Budget Estimates hearing, transcript of evidence, 13 May 2009, p.28;

376 Victorian Auditor-General's Office, *Investing Smarter in Public Sector ICT: Turning Principles into Practice*, July 2008

377 Hon. B Pike MP, *Clarification of the Department of Education and Early Childhood Development's response to the Public Accounts and Estimates Committee's questionnaire on the 2009-10 Budget Estimates*, letter to the Committee, received 2 September 2009, p.1

378 ibid.

379 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.29

380 ibid., p.306

As part of the introduction of Ultranet, 50 Ultranet Coaches have been employed to assist schools to prepare and work with schools in preparation for the introduction of the Ultranet system. The Ultranet Coaches have been tasked with preparing schools for the Ultranet rollout, specifically making sure that:[381]

- teachers will be able to plan and deliver curriculum and assess students using Ultranet;
- there is strong leadership in schools ready to lead the change;
- that those using Ultranet are capable of doing so and are integrating the technology into their teaching and learning;
- the current infrastructure in schools is robust and can support Ultranet
- the community is willing to use Ultranet; and
- the data is ready for the system.

To measure the work of the Ultranet coaches, the dDepartment has developed outcomes for the Ultranet Coach Initiative. The outcomes are:[382]

- improved teacher knowledge and skills related to integrating ICT for improved learning and teaching
- improved teacher capacity in the use of ICT for curriculum planning and delivery
- improved school capacity to support Ultranet implementation.

The Department has made a positive step forward in developing outcomes for the Ultranet coaches. Outcomes will assist the Department to ensure that the effectiveness of Ultranet coaches can be measured. The Committee considers that it may be beneficial to review the outcomes as the Ultranet system is rolled out as more emphasis will be placed on other tasks, such as engaging the school community to use Ultranet.

The Committee considers that, given the budget allocation for both the Ultranet system and Coaches, the Department should measure its progress against anticipated outcomes. Performance indicators could measure attributes such as time, cost, quality and quantity associated with the Ultranet Coach outcomes.

Recommendation 41: **The Department of Education and Early Childhood Development should take steps to measure progress against anticipated outcomes for the Ultranet Coach initiative.**

381 Department of Education and Early Childhood Development, *Ultranet Coaches 2009 Handbook, 2009,* pp.4-5

382 ibid., p.2

CHAPTER 14: HEALTHY ENVIRONMENT

Key findings of the Committee:

14.1 **Persistent drought conditions and responding to climate change are environmental challenges facing Victoria. At its Budget Estimates hearings the Committee was interested in the areas of water management, sustainable energy, climate change, the agricultural sector and parks in Victoria, all contributors to a healthy environment for Victoria.**

14.2 **Water management in Victoria is guided by the government's *Our Water Our Future* strategy. The 2009-10 Budget allocated $389.4 million for Sustainable Water Management and Supply. The Department of Sustainability and Environment is responsible for this budget output and implementation of the government's water strategy.**

14.3 **The Government aims to achieve efficiency improvements through the modernisation of irrigation infrastructure to benefit all Victorians and the environment.**

14.4 **One of the claimed benefits of irrigation improvements is that additional environmental flows can be provided for natural waterways. The Committee has recommended that the government consider volumetric targets and reporting for environmental flows.**

14.5 **Victoria has large brown coal reserves which is driving Government investment in clean coal technology. The Government is investing $132 million in the development of clean coal technology. Programs to reduce energy use are being targeted domestically and at schools, business, industry and government.**

14.6 **The government favours large-scale solar power generation over small scale installations of photovoltaic cells (i.e. on private homes). The Government has provided funding in 2008–09 to facilitate the future development of a large–scale solar energy plant, in which the Government has offered to invest $100 million, subject to matched funding from the Commonwealth Government.**

14.7 **Climate change is a significant challenge for the agricultural sector and government policies responding to climate change can expect to have a major impact. The Committee considers that government initiatives and programs will have to combine adaptation and mitigation strategies. The Government's *Future Farming* strategy predominantly focuses on adaptation rather than mitigation.**

14.8 **The Committee recommends that funding for the Sustainable Practice Change output be increased to balance adaptation and mitigation programs within the agricultural sector.**

14.9 **Parks Victoria manages Victoria's parks to preserve the natural environment. The 2009-10 Budget increases areas of preservation and opens parks to greater public access.**

14.10 **The Committee notes the Government's $4.5 million timber assistance package and River Red Gum forests and wetlands are to be protected through the establishment of four new National Parks. These parks should also improve environmental conditions within the Murray-Darling Basin. The efficiency and effectiveness of the package should be assessed against its objectives.**

14.1 Introduction

At Budget Estimates hearings, the Committee asked 50 questions of departments to determine the Government's 2009-10 intention for achieving the *Growing Victoria Together* vision for a Healthy Environment. The number of questions asked represented 10.4 per cent of the total number of questions asked by the Committee. This is similar to the number and proportion of questions asked at the *2008-09 Budget Estimates* hearings.

The Healthy Environment vision has two goals and at Budget Estimate hearings, the Committee asked 22 questions about the goal of protecting the environment for future generations and 28 questions about the government's goal of efficient use of natural resources. Four key areas of interest to the Committee from these questions were:

- water management;
- sustainable energy;
- climate change initiatives and programs for the agricultural sector; and
- funding for the development and establishment of parks in Victoria.

14.1.1 Challenges

The government faces two significant challenges in realising its vision for a Healthy Environment – ongoing drought conditions and the effects and response to climate change.

Departments were asked in the Budget Estimates questionnaire to identify '*key environmental issues that are predicted to have an impact on services delivered by the Department's portfolios in 2009-10*'. The majority of responses included climate change as the key environmental challenge. Water scarcity, drought and bushfires were also identified with some departments attributing these directly to the impact of climate change. Two departments identified particular challenges resulting from climate change. Human Services focused on the impact of climate change on the health and wellbeing of Victorians[383] and Transport identified the need to develop and implement a sustainable transport system.[384] The Department of Primary Industries also identified the challenges of increased environmental legislation and the need to ensure a skilled environment sector workforce.[385]

Climate change is the primary challenge for the government in achieving its Healthy Environment vision for Victoria.

14.2 Water management

Water availability and allocation is a critical issue for Victorians. The government's *Our Water Our Future* strategy attempts to balance low water availability due to ongoing drought conditions with demands for water by residents, industry and the environment. Initiatives to increase water availability and moderate demand are overseen by the Department of Sustainability and Environment and measured through the Sustainable Water Management and Supply output. This performance output was allocated $389.4 million in the 2009-10 Budget.

383 Department of Human Services, response to 2009-10 Budget Estimates questionnaire, May 2009, p.14
384 Department of Transport, response to 2009-10 Budget Estimates questionnaire, May 2009, p.12
385 Department of Primary Industries, response to 2009-10 Budget Estimates questionnaire, May 2009, p.17

The Committee has considered the government's water management through analysis of budget initiatives targeting resource consumption (water savings and irrigation) and potential water recovery.

14.2.1 Water saving

Water restrictions, intended as a short term response to critical water shortages, have traditionally been used to achieve water savings. Melbourne residents have had water restrictions in place since 1 November 2002. Melbourne is currently on stage 3a water restrictions. In parts of regional Victoria, including Barwon and parts of the Grampians-Wimmera-Mallee, residents are on stage 4 restrictions and in the Westernport region, Gippsland and East Gippsland all towns are on permanent water saving rules.[386]

Water saving through conditional water use is indicative of Victoria's critical water shortage and the need for new approaches to water supply and use. The government recognises that traditional sources of water are unpredictable and that behavioural change in domestic and business consumers, includes reduced dependency across industry and agriculture and increased efficiencies by all users are required to ensure Victoria's water security.

> *Climate change and the ongoing dry conditions means the way Victorians value and use water must change forever. We are in a serious situation and every person, every day, can make a huge difference by adopting simple water saving solutions.*[387]

To foster behavioural change, the government has provided assistance to business and industry to save water, run water saving education programs and provided rebates to subsidise water saving measures taken by residents. The *Our Water Our Future* strategy was renewed in 2007.

14.2.2 Assistance to business and industry to save water

The Government has implemented a number of initiatives to assist industry to reduce its water use. The Smart Water Fund, launched in 2002, facilitated the development of water resource management programs for business and industry. In 2007, the long term implications of water shortages were targeted through the *WaterMAP* initiative. The Government's initiative requires non-residential water users using in excess of 10 million litres per year to develop a Water Management Action Plan (*WaterMAP*). The Government provided $2.25 million to roll out the program over four years.[388] In the following year, Environmental and Resource Efficiency Plans (EREP) were introduced. Organisations using more than 120 million litres per year are required to develop and implement a plan to reduce water consumption. In 2007-08 the Government committed $1 million over four years to facilitate cooperation between business and industry and water authorities to develop and implement water saving actions. Funding for the program in 2009-10 totals $300,000.

386 Victorian Government, *Our Water Our Future*, Table of urban water restrictions – May 2009 webpage, accessed 5 August 2009, http://www.ourwater.vic.gov.au/monitoring/monthly/archive/monthly12/water_restrictions2/table_of_urban_water_restrictions

387 Victorian Government, *Our Water Our Future*, Home & Garden webpage, accessed 24 July 2009, http://www.ourwater.vic.gov.au/saving/home

388 Hon. T Holding MP, Minister for Water, 2009-10 Budget Estimates hearings, transcript of evidence, 15 May 2009, p.5

Smart water meters have also been installed at the 200 highest volume water use locations. The meters provide advanced real time monitoring of water use allowing business and industry to refine and monitor water saving plans.[389]

Further funding to assist business and industry save water is available through Regional Development Victoria's *Drought Industry Program: Water for Industry Fund*. Industry–specific funding includes:[390]

- $1 million to assist best practice water use in commercial laundries;
- $1.25 million to optimise cooling tower maintenance and operation; and
- $3.9 million to upgrade hospital infrastructure to achieve water efficiencies.

The Committee heard from the Minister for Water that there is a '*popular misconception*' that industry in not reducing water use.[391] Water use by Melbourne's non-residential sector has reduced by 38 per cent per capita compared with averages in the 1990s. Approximately 8 per cent of the state's water is consumed by the urban non-residential sector which includes almost 3 per cent for electricity generation in the Latrobe Valley.[392]

The government has implemented a number of approaches to assist business and industry to save water. Budget funding and ongoing programs are contributing to the significant water savings being made by industry.

14.2.3 Water saving education programs

Education programs designed to increase efforts to save water are an important part of the *Our Water Our Future* strategy. The Strategy uses education programs to achieve residential water savings and, through targeted information, change the behaviour of younger water users through school-based programs. The renewed *Our Water Our Future* strategy includes the following education programs:[393]

- the WaterSmart behaviour change program;
- H_2OME: A guide to permanent water savings in your home;
- *Water – Live it! Learn it!* schools program; and
- a statewide advertising campaign to promote water projects and household water conservation.

389 Victorian Government brochure, *What is business doing to save water?*, accessed 7 July 2009 http://www.ourwater.vic.gov.au/__data/assets/pdf_file/0009/2502/Water_Industry_brochure.pdf

390 Victorian Government, *Our Water Our Future*, Industry Water Savings Initiatives webpage, accessed 27 July 2009, http://www.ourwater.vic.gov.au/saving/industry/initiatives

391 Hon. T Holding MP, Minister for Water, 2009-10 Budget Estimates hearings, transcript of evidence, 15 May 2009, p.5

392 Victorian Government, *Our Water Our Future*, Business & Industry webpage, accessed 27 July 2009, http://www.ourwater.vic.gov.au/saving/industry

393 Department of Sustainability and Environment, *Annual Report 2007-08*, October 2008, pp.42-3

At the Budget Estimates hearing, The Minister for Water said that:[394]

> *The WaterSmart gardens and homes rebate scheme has been a highly successful scheme; $20 million has already been spent on providing rebates to Victorians since 2003… Those rebates and the installation of the water-efficient devices and the other products that have been supported have saved something like 2.2 billion litres of water each year. We have seen 31,000 rainwater tank rebates; 9000 shower head rebates; and 2500 rebates for greywater systems. We have also seen something like just over 300,000 showerheads swapped for more efficient units over the past three years. The strength of all of those water-efficiency devices is that the savings they generate are embedded in our water management practice now forever. As long as those devices are installed in households or in businesses across the state, they will be generating savings and reducing the call on potable water supplies forever …*

A feature of the *Our Water Our Future* strategy is information to help water consumers make educated choices regarding water use including the purchase and use of domestic appliances. Resources include:

- information on the Water Efficiency Labelling and Standards Scheme;
- facts and figures on the efficiency of appliances such as front-loading washing machines; and
- links to external websites (for example www.savewater.com.au) promoting water efficient appliances.

The schools–based program *Water – Live it! Learn it!* has been developed and implemented by Melbourne's state–owned water corporations. The education program is designed to incorporate water conservation into the curriculum of both primary and secondary schools. Complementing this program is the $3 million *Schools Water Efficiency Program* that includes indoor water audits. Where an audit identifies potential water savings of at least 5 per cent, works such as fitting flow-control valve, fixing leaking taps and fine-tuning existing appliances and fixtures are implemented.[395]

14.2.4 Water saving rebates

The *Our Water Our Future* water strategy includes funding for the *Water Smart Gardens* and Homes Rebate Scheme. Funding for the program was extended for four years with an additional $20 million from July 2007.[396] At 15 May 2009 more than 224,000 rebates had been approved. The Committee heard from the Minister that the installation of water efficient devices included in the rebate scheme have resulted in savings of approximately 2.2 billion litres of water annually.[397]

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394 Hon. T Holding MP, Minister for Water, 2009-10 Budget Estimates hearings, transcript of evidence, 15 May 2009, pp.9-10

395 Victorian Government, *Our Water Our Future*, *Schools Water Efficiency Program* webpage, accessed 27 July 2009, http://www.ourwater.vic.gov.au/saving/schools/swep; Department of Education and Early Childhood, response to 2009-10 Budget Estimates questionnaire, p.23

396 Environment and Natural Resources Committee, *Inquiry into Melbourne's Future Water Supply*, June 2009, p.91

397 Hon. T Holding MP, Minister for Water, 2009-10 Budget Estimates hearings, transcript of evidence, 15 May 2009, p.10

The current rebate applies to eligible water saving products purchased between 1 July 2009 and 30 June 2011.[398] The 2009-10 Budget includes $5 million for the rebate scheme and $2.4 million in new funding for a water-saving retrofit program.[399]

The 2009 *Inquiry into Melbourne's Future Water Supply* by the Victorian Parliament's Environment and Natural Resources Committee found that '*rebates on water efficient products are generally supported as a cost effective way of helping reduce household water consumption*'.[400] The Minister told the Committee that the '*rebates program has provided a financial incentive for families to be able to access these devices*'.[401] The government has set a performance measure of approving 34,000 rebates under the *Water Smart Gardens and Homes Rebate Scheme* in 2009-10, 1,200 more than the expected outcome for 2008-09.[402]

14.2.5 Irrigation

Irrigation consumes 77 per cent of Victoria's water resources,[403] much of which goes to the production of food for local consumption and export. This is a major source of employment and income for the state. Victoria's '*ailing irrigation infrastructure*', which loses water '*through leaks, evaporation and system inefficiencies*',[404] has made it more difficult to supply the quantities of water required in a cost effective, efficient and environmentally responsive way.

The government is currently undertaking a two-stage renewal of Victoria's northern irrigation system as part of the *Our Water Our Future* strategy. The government aims to modernise irrigation infrastructure to improve efficiencies and ensure the viability of the irrigation industry.[405] Capital works are providing increased employment alongside improved service to farmers. The Government anticipates sharing efficiency gains from this project between farmers, Melbourne and the environment.[406]

Irrigation renewal is being delivered by the state owned Northern Victoria Irrigation Renewal Project (NVIRP). As part of the renewal project system losses in the existing irrigation system have been identified through historical data and past research. System losses and/or inefficiencies have been attributed by the Department of Sustainability and Environment to:[407]

- leakage from irrigation channels (25-30 per cent);
- inaccurate metering (20-25 per cent);
- evaporation from open channels and water storage (10-15 per cent);
- seepage (10-15 per cent); and
- spills or water release to prevent over-flowing channels (8-12 per cent).

398 Victorian Government, *Our Water Our Future, Eligible Products* webpage, accessed 27 July 2009, http://www.ourwater.vic.gov.au/saving/home/rebates/products

399 Department of Treasury and Finance, Budget Paper No. 3, *2007–08 Service Delivery*, May 2009, p.327; Hon. T Holding MP, Minister for Water, Media release '*Water projects secure 2300 jobs and our water supply*', 5 May 2009

400 Environment and Natural Resources Committee, *Inquiry into Melbourne's Future Water Supply*, June 2009, p.93

401 Hon. T Holding MP, Minister for Water, 2009-10 Budget Estimates hearings, transcript of evidence, 15 May 2009, p.15

402 Department of Treasury and Finance, Budget Paper No. 3 *2009-10 Service Delivery*, May 2009, p.213

403 *Smart Water Fund, Introduction* website, accessed 28 July 2009, http://www.smartwater.com.au/mainf.asp

404 Victorian Government, *Our Water Our Future, Government Programs, Irrigation Renewal* webpage, accessed 28 July 2009, http://www.ourwater.vic.gov.au/programs/irrigation-renewal

405 ibid.

406 Northern Victoria Irrigation Renewal Project, *Modernisation: Fact Sheet*, accessed 29 September 2009 http://www.nvirp.com.au/downloads/modernisation-fact-sheets-may-2009.pdf

407 Northern Victoria Irrigation Renewal Project, *Modernisation, System Losses* webpage, accessed 28 July 2009, http://www.nvirp.com.au/modernisation/system_losses.aspx

In addition to system losses the NVIRP has allocated 15-20 per cent for environmental maintenance of natural waterways forming a part of the irrigation system.

Funding for the first stage of northern irrigation infrastructure renewal is $1 billion. Funding comprises of $600 million from the State Government, $300 million from Melbourne water users and $100 million from Goulburn-Murray Water.[408] The government component is funded over six years, a breakdown is provided in Table 14.1.

Table 14.1: Government funding allocation for stage 1 northern irrigation infrastructure renewal

	2007-08	2008-09	2009-10	2010-11	2001-12	2012-13	6 Year Total
	($ million)						
Government funding allocation	82.0	84.0	135.4	134.2	82.2	17.6	535.4
Additional funding						64.5 [(a)]	64.5
Total							**600.0**

Note: (a) $50 million from Victorian Water Trust and $14.5 million from the environmental contribution levy.

Source: Department of Treasury and Finance, Budget Paper No. 3, 2008-09 Service Delivery. p.354

The Minister for Water provided the Committee with a complete funding breakdown of the NVIRP for 2009-10. Total funding is $249 million of which $154 million is from the State's consolidated fund and $85 million is being provided by Melbourne Water.[409] The Commonwealth Government has agreed to fund the second stage of renewal up to $1 billion subject to due diligence assessments.[410]

To improve infrastructure efficiencies, modern technology is being utilised to address losses in the current system and improve delivery to farmers. Infrastructure improvements include:[411]

- channel automation - replacement of manual gates with automatic gates that measure water flow and connect with on-farm automation equipment;
- lining, remodelling or pipelining irrigation channels;
- improved meter accuracy from 10 to 5 per cent through replacement of 15,000 Dethridge wheels with modern devices such as electromagnetic flow metres and flume gates; and
- future water costs – upgrades are predicted to provide savings, however, there will be new operational costs, with charges to be determined by a regulated water pricing process.

Modernisation of the irrigation system has seen more uniform water flows, shorter response times to orders for water and will in the future see increased water availability through efficiency savings. The Minister stated that in addition to improved services to farmers, there had been benefits in employment. Jobs had been generated in manufacturing, earth moving and

408 Northern Victoria Irrigation Renewal Project: *Fact sheet*, accessed 20 August 2009, http://www.ourwater.vic.gov.au/__data/assets/pdf_file/0013/13711/5-NVIRP-fact-sheet-Aug-08.pdf

409 Hon. T Holding MP, Minister for Water, 2009-10 Budget Estimates hearings, transcript of evidence, 15 May 2009, p.3

410 Northern Victoria Irrigation Renewal Project: *Fact sheet*, accessed 20 August 2009, http://www.ourwater.vic.gov.au/__data/assets/pdf_file/0013/13711/5-NVIRP-fact-sheet-Aug-08.pdf

411 Victorian Government, *Our Water Our Future*, *What is Irrigation Renewal* webpage, accessed 28 July 2009, http://www.ourwater.vic.gov.au/programs/irrigation-renewal/about

construction across the northern irrigation area which takes in a large number of regional towns and centres. [412]

The Minister for Water told the Committee that he expects long-term average savings of 225,000 megalitres to come from stage 1 of this project and an additional 200,000 megalitres from stage 2.[413] The Auditor-General has noted that organisations and individuals have raised concerns about the basis for the projected water savings and has recommended that the Department of Sustainability and Environment publish the detailed analysis underpinning the Department's estimates.[414] The Committee is currently conducting a follow-up inquiry on the Auditor-General's findings, and will report on that and make any appropriate recommendations in due course.

The Committee asked the Premier at the Budget Estimates hearings if the modernisation of the northern irrigation system would deliver a positive cost-benefit on this investment. A question was also asked on what would be the cost per megalitre of water saved in years where system losses were less than 400,000 megalitres. The question was taken on notice.[415] The Premier's response stated that:[416]

> *Savings will be audited every year for monitoring and modelling purposes but it is not useful to focus solely on a year by year figure. What is paramount is that the overall project … will increase the irrigation system's efficiency to 85 per cent.*

The Minister for Water also took on notice a question about the cost of piping water down the Sugarloaf Pipeline.[417] In his response, the Minister noted that some estimates had been made as to the operating costs[418] but explained that:[419]

> *as the operating arrangements are still to be finalised, any calculation of a unit cost depends on forecasting water savings and costs into the future. Therefore, the cost of piping water down this pipeline cannot be provided at this time.*

A proportion of efficiency savings in the irrigation system are to be used for enhancing environmental flows. The Department of Sustainability and Environment has included under its output, *Sustainable Water Management and Supply*, a measure of rivers receiving improved environmental flow regimes. The performance target for 2009-10 is 20 rivers, a continuation of the previous target.

Recommendation 42: **The performance measures for Sustainable Water Management and Supply consider volumetric targets and reporting for environmental flows.**

14.2.6 Water recovery

The recovery of water presents one solution toward easing current and future water resource pressures. The potential of water recovery is being explored by the Government through a number of funded projects. Projects include the treatment of wastewater, stormwater harvesting and water recycling.

412 Hon. T Holding MP, Minister for Water, 2009-10 Budget Estimates hearings, transcript of evidence, 15 May 2009, p.4
413 ibid., p.13
414 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, pp.22, 33–34
415 2009-10 Budget Estimates hearings, transcript of evidence, 8 May 2009, pp.24-6
416 Hon. J Brumby, Premier, response to Questions on Notice, 1 July 2009, p.2
417 Hon. T Holding MP, Minister for Water, 2009-10 Budget Estimates hearings, transcript of evidence, 15 May 2009, pp.15–16
418 Essential Services Commission, *Melbourne Water Expenditure Review*, March 2009, p.63
419 Hon. T Holding MP, Minister for Water, response to Questions on Notice, August 2009, p.6

14.2.7 Treated wastewater

Wastewater is already being treated at the Western Treatment Plant with Class A output being used in the Werribee Irrigation District by market gardeners. Class A water is the highest quality of treated or recycled water and is achieved through a tertiary treatment process and pathogen removal.[420] The Government is providing $3 million in grant funding over three years to encourage innovative projects that use this water.[421] The Eastern Treatment Plant is currently being upgraded to also produce Class A water. The Committee inquired into the status of the upgrade, including current cost estimates and scheduled completion at Budget Estimates hearings.

The Minister for Water informed the Committee that while the choice of technology to be used was still being resolved, substantial works had already commenced and is on track to be completed by 2012. Delivery of the project is anticipated to be within budget, however, the Minister confirmed that an adjustment to the actual cost figure was required in real dollar terms between 2007 and 2009.[422] Upon completion, the Eastern Treatment Plant will have a capacity to produce 100 million litres of Class A water annually.[423] This will add to a potential annual capacity of 8,500 million litres from the Western Treatment Plant.[424]

In addition to providing water, the Minister also explained that this is:[425]

> *a very important project also in terms of being able to resolve some of the challenges around the outfall at Gunnamatta and the quality of the water and the nature of the outfall that exists at the moment.*

14.2.8 Stormwater harvesting

Stormwater presents a significant resource if infrastructure can be designed and implemented to treat, store and supply harvested stormwater. One estimate is that less than 0.25 per cent of Melbourne's stormwater is harvested.[426]

The *Stormwater and Urban Water Conservation Fund* was allocated $10 million in 2004 and provided assistance and technical support to the development of 66 local projects. In 2007 the later renamed *Stormwater and Urban Recycling Fund* was allocated a further $10 million over four years with $3 million allocated for 2009-10.[427]

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420 Melbourne Water, *Quality of Recycled Water* website, accessed 20 August 2009, http://www.melbournewater.com.au/content/water_recycling/quality_of_recycled_water/quality_of_recycled_water.asp?bhcp=1

421 Victorian Government, *Our Water Our Future, Objectives and Funding Requirements* webpage, accessed 28 July 2009, http://www.ourwater.vic.gov.au/programs/recycling/v4wp/objectives

422 Hon. T Holding MP, Minister for Water, 2009-10 Budget Estimates hearings, transcript of evidence, 15 May 2009, pp.10-11

423 Melbourne Water, *Water Recycling Projects* webpage, accessed 28 July 2009, http://education.melbournewater.com.au/content/sewage_and_recycling/water_recycling_projects/water_recycling_projects.asp

424 Victorian Government, *Our Water Our Future*, *Werribee Recycled Water Scheme* webpage, accessed 28 July 2009, http://www.ourwater.vic.gov.au/programs/recycling/werribee

425 Hon. T Holding MP, Minister for Water, 2009-10 Budget Estimates hearings, transcript of evidence, 15 May 2009, p.10

426 Environment and Natural Resources committee, *Inquiry into Melbourne's Future Water Supply*, June 2009, p.119

427 ibid., p.123; Department of Treasury and Finance, Budget Paper No. 3, *2007-08 Service Delivery*, p.327

14.2.9 Water recycling

Water recycling provides fit-for-purpose water for industry and the community. The 2007-08 budget provided $16 million over two years for water recycling projects across Melbourne.[428] The government's *Smart Water Fund* assists the development of water and bio-solids recycling. Domestically, greywater (water from baths, washing machines etc) can be recycled for flushing toilets and selected garden watering. The Environmental Protection Agency recommends that collected greywater not used within 24 hours be discharged. Compliant greywater systems installed by a licensed plumber are eligible for a government rebate.[429]

The 2009-10 Budget includes a performance measure for water savings through water recovery projects currently being implemented. The target is a saving of 153,800 mega litres of water in 2009-10. The expected outcomes for 2008-09 are less than the target amount due to '*minor revisions to the timing of works*'.[430] The Committee asked the Minister to outline the revisions referred to in the Budget Papers.

He stated that:[431]

> *the difference between the 2008–09 published budget and the 2008–09 revised budget is essentially due to the timing of expected contributions to Victorian water saving projects and additional one off funding for water rate rebates to irrigators announced as part of the 2008 drought package.*

Class A water is '*safe for most uses except for drinking, cooking and swimming*'.[432] Recycled water is presently provided to farms, market gardens, vineyards, golf courses and sports grounds. The government has stated that it will broaden its scope for the use of recovered water.[433] The use of recovered water for cooling in Latrobe Valley power generators which currently accounts for approximately 3 per cent of urban non-residential water consumption is being considered. Recovered water is also being supplied through a dual pipe water system (delivering both potable water and Class A water) into two new housing estates in Melbourne's south east and is being installed at other new estates.[434] The benefit of supplying Class A water through a second pipe is limited by supply capacity. If supply does not match demand, supplementary potable water is required. Due to treatment issues some dual pipe infrastructure is currently being supplied with potable water.[435]

14.2.10 Conclusion

Ensuring a sustainable water supply for Victoria is the responsibility of the Department of Sustainability and Environment. Initiatives to save water, improve irrigation infrastructure and recover water are important components of the *Our Water Our Future* water strategy to ensure Victoria's water resources into the future. The 2009-10 Budget continues funding for water initiatives from previous state budgets, including water saving initiatives in 2007-08 and irrigation renewal in the 2008-09 budget.

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428 Department of Treasury and Finance, Budget Paper No. 3, *2007–08 Service Delivery*, May 2009, p.21
429 Environment and Natural Resources Committee, *Inquiry into Melbourne's Future Water Supply*, June 2009, p.81
430 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, pp.212-4
431 Hon. T Holding MP, Minister for Water, 2009-10 Budget Estimates hearings, transcript of evidence, 15 May 2009, p.14
432 Melbourne Water, *Recycled Water* webpage, accessed 28 July 2009, http://education.melbournewater.com.au/content/sewage_and_recycling/recycled_water/recycled_water.asp
433 Victorian Government, *Our Water Our Future, Government Programs, Increasing Recycling* webpage, accessed 28 July 2009, http://www.ourwater.vic.gov.au/programs/recycling
434 Hon. T Holding MP, Minister for Water, Media release '*Recycled Water use at all-time high*', 13 November 2008
435 Environment and Natural Resources Committee, *Inquiry into Melbourne's Future Water Supply*, June 2009, p.197

The Government predicts that, once completed, water saving initiatives will save a total of 80 gigalitres per annum, equivalent to the capacity of Sugarloaf Reservoir and that irrigation renewal will save a long term average of 425 gigalitres.[436] That is a total saving of over 500 gigalitres compared with a ten year average annual water consumption in Melbourne of 480 gigalitres.[437] The Committee notes that savings through improved irrigation efficiencies are related to rainfall, run-off and available water resources. Organisations and individuals have questioned the basis for the Government's estimates and the Auditor-General has recommended that the Department of Sustainability and Environment publish its analysis of estimated water savings and costs.[438] This information would assist better assessment of the value for money of the project. The Committee concurs with that finding and will consider these matters further in its inquiry into the Auditor-General's findings in his report, *Planning for Water Infrastructure in Victoria*.

14.3 Sustainable energy

The Government has set its own sustainable energy goals and established energy efficiency programs for business and industry and incentives for domestic energy users to reduce consumption. In 2008, coal fired power stations accounted for 94 per cent of Victoria's electricity generation, gas fired power stations generated 4 per cent and renewable energy sources 2 per cent.[439] The burning of coal is a carbon intensive process and in 2008 coal-fired energy generation in Victoria emitted 62 million tonnes of CO_2 equivalent greenhouse gases.[440]

The *Garnaut Climate Change Review* stated that 'if the world is to meet the challenge of climate change, there will need to be a transformation in Australia's stationary energy sector as it adjusts to mitigation policies' and continues, '*the energy sector makes a larger contribution to greenhouse gas emissions in Australia than in other developed countries.*'[441]

The impact of greenhouse gases on climate change has led to investment in renewable energy sources and sustainable energy use. The 2008-09 budget provided $72 million over six years so support '*large scale, pre-commercialisation demonstration of sustainable energy technologies, such as solar energy storage, biofuels, biomass conversion, geothermal energy efficiency and clean distributed energy*.'[442]

14.3.1 Renewable energy investment

The amount of energy generated from renewable sources rose by 14 per cent in Victoria in 2008, accounting for 2 per cent of the state's energy production.[443] In August 2009 the Commonwealth Parliament affirmed impending legislation on a renewable energy target of 20 per cent by 2020. Large-scale solar energy technology is the main focus of Victorian Government investment in renewable energy, as it believes this technology to be the most efficient. In the 2009-10 Budget the government allocated $100 million to support the development of a second large-scale solar power station. The government has stated that investment in this technology is designed to offset some of the technical risk of investment in this emerging technology and to '*change the energy*

436 Department of Treasury and Finance, Budget Paper No. 3, *2007-08 Service Delivery*, May 2007, p.21; Northern Victoria Irrigation Renewal Project, *Plan Design Deliver: Our Vision* website, accessed 20 August 2009, http://www.nvirp.com.au/

437 *Smart Water Fund, Help develop our water future* website, accessed 20 August 2009, http://www.smartwater.com.au/mainf.asp

438 Victorian Auditor-General's Office, *Planning for Water Infrastructure in Victoria*, April 2008, pp.22, 33–34

439 The Climate Group, *Australian Electricity Generation Report 2008*, p.9

440 ibid., p.10

441 R Garnaut, *The Garnaut Climate Change Review*, 2008, p.467-8

442 Department of Treasury and Finance, Budget Paper No. 3, *2007–08 Service Delivery*, May 2009, p.28

443 The Climate Group, *Australian Electricity Generation Report 2008*, p.8

mix'.[444] The Government has also supported the development of a new approach to manufacturing solar cells using note printing technology with $6 million funding.[445]

New funding for a second large-scale solar power station is dependent upon a matched level of investment from the Commonwealth Government. An initial $1 million has been provided to facilitate the tender process for the project, with $600,000 allocated for 2009-10 and the remainder the following year.[446]

The Government has already offered $50 million for the development of a solar power station in north-west Victoria.[447] The company Solar Systems had been undertaking that project, but went into voluntary administration in September 2009 due, at least in part, to difficulties raising sufficient capital from investors.[448] The Government's $50 million is still on offer and the Government is hoping that the project will attract other investors and proceed.[449]

Small-scale renewable energy generation is being subsidised by the Government through a feed-in tariff for electricity generated from photovoltaic modules (solar panels or PVs). The Committee asked the Minister for Energy and Resources, about the viability of this approach and the costing of a solar power feed-in tariff. The costs and benefits between a net feed-in tariff for excess electricity generated and a gross feed-in tariff which pays a premium for the total amount of electricity generated were discussed at Budget Estimates hearings.

The Minister stated that a gross feed-in tariff granted too great a financial advantage to those installing PVs to the detriment of other electricity consumers by a factor of four. The government's support for rooftop PVs is limited because they are '*the most expensive form of electricity generation in Victoria and they are the most inefficient*'. The Minster for Energy and Resources indicated that the cost of electricity was in the magnitude of $400 per MW/hr[450] which approximately is 2.5 times domestic retail prices for coal generated electricity.[451]

Subsequent to the hearings, Parliament passed the *Electricity Industry Amendment (Premium Solar Feed-in Tariff) Bill 2009*, which provides for a net feed-in tariff for households, community groups and small businesses. The tariff is at 60¢ per kWh, over three times the standard retail price for electricity.[452] The intention of this bill was to support the government's commitment '*to tackling climate change and to establishing practical measures that assist Victorian households to reduce their greenhouse gas emissions'*.[453] To ensure that costs to other consumers were not excessive, the legislation caps the scheme such that it will not cost each electricity consumer more than $10 per year.

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444 Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes*, May 2009, p.379

445 Hon. P Batchelor MP, Minister for Energy and Resources, 2009-10 Budget Estimates hearings, transcript of evidence, 19 May 2009, p.4

446 Department of Treasury and Finance, Budget Paper No. 3, *2009–10 Service Delivery*, pp.30, 350

447 Hon. P Batchelor MP, Minister for Energy and Resources, 2009-10 Budget Estimates hearings, transcript of evidence, 19 May 2009, p.4

448 Mr M Murphy and Mr A Morton, '*Lack of Funds Sank Solar Power Farm*', *The Age* online, 9 September 2009, accessed 30 September 2009, http://www.theage.com.au/national/lack-of-funds-sank-solar-power-farm-20090908-fg1i.html

449 Minister for Energy and Resources, Media Release: Victoria Committed to a Solar Future, 18 September 2009, accessed 30 September 2009 http://www.premier.vic.gov.au/minister-for-energy-resources/victoria-committed-to-a-solar-future.html

450 Hon. P Batchelor MP, Minister for Energy and Resources, 2009-10 Budget Estimates hearings, transcript of evidence, pp.4, 15

451 Victorian Government, *Welcome to Your Choice* website, accessed 14 August 2009, http://www.yourchoice.vic.gov.au/

452 Department of Primary Industries, *Premium Rate for Solar Power* webpage, accessed 30 September 2009 http://www.dpi.vic.gov.au/dpi/dpinenergy.nsf/LinkView/7AFCBB81592B8111CA2576350020903D3E1179147BC310BACA257635001F2BEF

453 Hon. P Batchelor MP, *Victorian Parliamentary Debates, Legislative Assembly*, 12 March 2009, p.789

Other renewable energy investment projects identified were:[454]

- a new hydro power station at Mt Bogong;
- research into the potential of geothermal energy generation in Victoria; and
- planning for an increase in excess of 650 per cent in wind power capacity.

Funding was also provided in the 2008-09 Budget for research into other sustainable energy options.[455]

The Commonwealth Government verifies renewable energy sources through the *GreenPower* accreditation program. Accreditation ensures that investment in renewable energy will be recognised as such in the energy market. The program also offers energy consumers confidence that paying a premium for electricity is contributing to sustainable energy.

14.3.2 Renewable energy targets

The Victorian Government had set a renewable energy target of 10 per cent by 2016. The Commonwealth Government set a higher target of 20 per cent by 2020 in August 2009 and the Minister for Energy and Resources stated that Victoria's scheme should be absorbed into the Federal renewable energy target.[456] The 2008-09 Budget states that the Victorian scheme would transition to the Federal scheme and budget funding for the Victorian Renewable Energy Target Scheme does not extend beyond 2009-10.[457]

14.3.3 Non-renewable energy options

Non-renewable energy options that reduce, eliminate or avoid greenhouse gas emissions from electricity generation are being investigated as part of a sustainable energy future. Options being explored include carbon capture and storage and gas–fired power stations. .

The Government has committed $132 million over six years to the development of carbon capture and storage (CCS) technologies and the promotion of clean coal.[458] Successful development of CCS technology that removes carbon from emissions before entering the atmosphere would help negate carbon emissions from the burning of fossil fuels including coal. Considering Victoria's large coal reserves the successful development of large-scale CCS promises economic benefits and a sustainable energy option for Victoria. In 2009-10 the Government will provide $3.1 million funding for the Clean Coal Authority and $5.5 million as a member of the Cooperative Research Centre for Greenhouse Gas technologies.

454 Hon. P Batchelor MP, Minister for Energy and Resources, 2009-10 Budget Estimates hearings, transcript of evidence, 19 May 2009, p.8
455 Department of Treasury and Finance, Budget Paper No. 3, *2009–10 Service Delivery*, May 2009, p.28
456 ibid., pp.8-9
457 Department of Treasury and Finance, Budget Paper No. 3, *2008–09 Service Delivery*, May 2009, p.351
458 ibid., p.28

The 2008-09 Budget provided $110 million (over six years) through the *Energy Technology Innovation Strategy* towards the development of a large-scale pre-commercial CCS demonstration project.[459] Speaking about the development of the HRL clean coal demonstration plant, the Minister for Energy and Resources, explained at the Budget Estimates hearing:[460]

> *It has had some delays that have been brought about by the final site selection and some issues about where it will get its coal from … The advice we are getting from HRL is that is almost close to resolving both those issues … It says it is in the process of finalising its finances and, notwithstanding the current state of the global financial crisis, it is still confident that it will get finance.*

The Minister believed that, '*preliminary site works might commence by the end of the year*' but added that HRL's '*earlier predictions have not proved to be precise.*'[461]

Previous funding of $50 million has been provided for a $750 million integrated drying and gasification combined cycle demonstration plant. The Committee inquired after progress of this project. The Minister for Energy and Resources stated that the project had experienced delays due to issues of site selection and coal sourcing but that resolution on both counts was close.[462] The plant will test large-scale heating of coal to extract a synthetic gas that can then be burnt in a gas turbine to generate electricity.

Gas-fired power stations provide a lower-carbon option for electricity supply compared with coal-fired power stations. The Minister outlined for the Committee gas-fired power stations in development, proposed or under consideration, including one in Mortlake which is due to begin generating electricity in 2010.

Nuclear power is considered in some quarters as a sustainable energy option and Australia holds large uranium reserves. However, non-public acceptance of nuclear power is a barrier to its uptake.[463] This was evident in Committee concerns that the funds in the state budget for the development of the national energy market reform process could result in Victoria funding nuclear energy and further, that a future pro-nuclear Commonwealth Government could set up nuclear power plants in Victoria. The Minister acknowledged that there was '*a push coming from certain quarters in relation to nuclear energy*' but that the Victorian government was '*opposed to it being a source of energy here in Victoria*'.[464]

14.3.4 Sustainable energy use

Sustainable energy use is the corollary of sustainable energy generation. The Government has targeted both private and commercial energy users in an attempt to reduce energy consumption.

For residential energy users, the Government launched an energy savers incentive scheme that began in 2009. The scheme assists households to make energy efficient choices. Discounts and special offers are provided through electricity generators and retailers with the potential incentive related to greenhouse gas reduction.[465] The scheme is funded by imposing a legal liability on large

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459 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates — Part Three*, October 2008, p.210

460 Hon. P Batchelor MP, Minister for Energy and Resources, 2009-10 Budget Estimates hearings, transcript of evidence, 19 May 2009, p.9

461 ibid.

462 ibid., pp.8-9

463 R Garnaut, *The Garnaut Climate Change Review*, 2008, p.476

464 Hon. P Batchelor MP, Minister for Energy and Resources, 2009-10 Budget Estimates hearings, transcript of evidence, 19 May 2009, p.13

465 Minister for Energy and Resources, *Media Release: Victoria Committed to a Solar Future*, 18 September 2009, accessed 30 September 2009, http://www.premier.vic.gov.au/minister-for-energy-resources/discounts-available-now-for-households-saving-energy.html

electricity and gas retailers to acquire and surrender '*Victorian energy efficiency certificates*' which are created by undertaking prescribed activities which reduce energy use in homes.[466] The Premier stated that the scheme has been '*getting significant savings, and significant savings are indeed possible*'.[467] Another residential program, the *Low Income Retrofit* program (which assists low income and social housing residents in reducing energy costs) was extended for two years in the 2008-09 budget with $4.1 million funding.[468]

The Department of Sustainability and Environment provides specific energy reduction information through the *ResourceSmart* program. The program is provided by Sustainability Victoria. *ResourceSmart* has categories for households, teachers, businesses and government. Information includes actions to reduce energy use and promotes the use of *GreenPower* thereby addressing both energy use and generation.

The Department of Sustainability and Environment predicts that more than 200 public sector agencies will be participating in the *ResourceSmart* program by 2010.[469] It has been demonstrated by departments that sustainability initiatives, including energy efficiency, have a payback of three years.[470]

Energy efficiency in the commercial sector is the focus of the *Environment and Resource Efficiency Plan* (EREP) program. The program requires all businesses with site based operations using in excess of 100 terajoules of energy per annum to plan and implement energy reduction actions with a payback period of three years or less. At 31 December 2008 approximately 250 sites across Victoria had energy (and/or water) reduction plans in place.[471]

The Department has developed in consultation with other government agencies and Sustainability Victoria, the *ResourceSmart* Program to assist government agencies reduce operational impact on the environment. Government departments and agencies have, since 2002, improved energy efficiency by 16 per cent overall and *GreenPower* comprises 10.2 per cent of their electricity consumption.[472] The Government's policy is that by June 2010 departments and centrally funded statutory agencies will have improved energy efficiency by 20 per cent compared to 1999-2000 and be procuring 25 per cent of energy requirements from *GreenPower* accredited sources.[473] Progress towards these targets is published in department annual reports as a requirement of Financial Reporting Directive 24C (FRD 24C).

466 Essential Services Commission, *Victorian Energy Efficiency Target (VEET) Scheme* webpage, accessed 1 October 2009, http://www.esc.vic.gov.au/public/VEET/

467 Hon. J Brumby MP, Premier, 2009-10 Budget Estimates hearings, transcript of evidence, 11 May 2009, p.30

468 Department of Treasury and Finance, Budget Paper No. 3, *2008–09 Service Delivery*, p.29

469 Department of Sustainability and Environment, *2008-09 Annual Report*, p.81

470 ResourceSmart, *Quick Facts* webpage, accessed 30 July 2009, http://www.resourcesmart.vic.gov.au/documents/ResourceSmart_Government_Quick_Facts.pdf

471 EPA Victoria, *More about EREP* webpage, accessed 30 July 2009, http://www.epa.vic.gov.au/bus/erep/EREP_who_is_participating.asp

472 Government of Victoria, *Government Sustainability Energy Targets: Progress Report*, April 2008, p.16 http://www.sustainability.vic.gov.au/resources/documents/GSET_Report.pdf

473 ResourceSmart, *Victorian Government policy and targets* webpage, accessed 30 July 2009, http://www.resourcesmart.vic.gov.au/documents/Victorian_Government_Policy_and_Targets1.pdf

14.3.5 Sustainable energy use in government

The Budget Estimates questionnaire asked departments what initiatives were planned for 2009-10 to enhance reporting of the mandatory and optional office-based environmental indicators identified in FRD 24C. Identified initiatives to enhance reporting varied between departments.

The Department of Primary Industries stated that it is '*undertaking a sub-metering project to separate office and operation energy use*' allowing greater matching of energy use to operational functions.[474] The Department of Innovation, Industry and Regional Development stated that it currently exceeds the requirements of FRD 24C. The Department is considering further enhancement of its reporting. Consideration is being given to:[475]

- itemisation of waste streams;
- itemising types of paper and its sources; and
- reporting water consumption per m^2 of office space.

Some planning to enhance reporting was demonstrated by departments through initiatives to improve data collection. The Department of Human Services has committed to changes in data collection and reporting recommended by the Commissioner for Environmental Sustainability.[476] The Department of Premier and Cabinet and the Department of Treasury and Finance stated that the implementation of a water metering system and implementation of improved waste auditing methodology would enhance reporting.[477] Similarly the Department of Planning and Community Development plans to enhance reporting through the inclusion of details about '*actions undertaken during the year, projected targets and key achievements*'.[478]

Three departments indicated that they planned to meet the requirements of FRD 24C. The Department of Education and Early Childhood Development stated that reporting would be expanded to include new mandatory requirements.[479] The Department of Justice stated that it will continue to fulfil all mandatory and optional reporting.[480] The Department of Sustainability and Environment stated that it would '*continue to adhere to FRD 24C*'.[481] A third department, the Department of Transport, listed internal measures to reduce environmental impact.[482]

14.3.6 Conclusion

The future generation and level of energy use will determine whether Victoria achieves the Government's sustainable energy objectives. Victoria's current coal dependency and associated high levels of greenhouse gas emissions require Victoria to invest in sustainable energy. The Government is supplying funding towards sustainable energy generation and is introducing policies to reduce energy use.

474 Department of Primary Industries, response to 2009-10 Budget Estimates questionnaire, May 2009, p.13
475 Department of Innovation, Industry and Regional Development, response to 2009-10 Budget Estimates questionnaire, p.19
476 Department of Human Services, response to 2009-10 Budget Estimates questionnaire, May 2009, p.15
477 Department of Premier and Cabinet, response to 2009-10 Budget Estimates questionnaire, May 2009, p.7; Department of Treasury and Finance, response to 2009-10 Budget Estimates questionnaire, May 2009, p.16
478 Department of Planning and Community Development, response to 2009-10 Budget Estimates questionnaire, May 2009, p.15
479 Department of Education and Early Childhood Development, response to 2009-10 Budget Estimates questionnaire, May 2009, p.23
480 Department of Justice, response to 2009-10 Budget Estimates questionnaire, p May 2009,p.20-1
481 Department of Sustainability and Environment, response to 2009-10 Budget Estimates questionnaire, May 2009,p.14
482 Department of Transport, response to 2009-10 Budget Estimates questionnaire, May 2009,p.14

Renewable energy generation is supported through funding for large-scale solar power stations and subsidies for photovoltaic modules through premium feed-in tariffs. The government has also committed money to exploring other technologies. In addition, significant funding has been provided for carbon capture and storage projects, to reduce the impact of energy production from non-renewable sources.

To reduce energy use, mandatory programs have been established by the Government requiring industry and business to assess energy use and enact plans for improving energy efficiency. The Government provides information and incentives for domestic energy users to make energy-efficient choices and actions. Reducing energy use will contribute to energy sustainability in Victoria.

There was some initiative shown by departments to enhance reporting of environmental impact beyond the requirements of FRD 24C. The Department of Primary Industries and the Department of Innovation, Industry and Regional Development both stated that enhanced monitoring would permit a greater level of detail to be recorded.

14.4 Climate change initiatives and programs for the agricultural sector

The agricultural sector is susceptible to climatic changes and needs to prepare for the impact of climate change. The government's *Future Farming* strategy has guided initiatives focused on adapting to climate change. However, climate change needs to be mitigated in concert with adaptation.

The *Garnaut Climate Change Review* concludes that if action is not taken to mitigate climate change the agricultural sector will be 'hit particularly hard'. The best estimate for the Murray-Darling Basin is that by the middle of the 21st Century annual irrigated agricultural output will have been halved and by 2100 '*it would no longer be a home to agriculture*'.[483]

In its February 2009, *Annual Statement of Government Intentions* the Government identified climate change as a priority. The Government has continued funding for the Office of Climate Change at current levels for another two years in the 2009-10 Budget.[484]

The Committee considered the breadth of government budget proposals concerning climate change in the Healthy Environment chapter of the *Report on the 2008-09 Budget Estimates – Part Three*. At this year's Budget Estimates hearings, the Committee focused on the challenge climate change presents the agricultural sector.

14.4.1 Challenges facing the agricultural sector

The Minister for Agriculture identified climate change as one of the biggest challenges facing the agricultural sector. The sector is being challenged by the effects of climate change and needs to reduce its contributing emissions. The agricultural sector is heavily dependant upon water and uses 77 per cent of Victoria's supply. Reduced water availability and increased temperature will affect the viability of crops and livestock production. The Victorian agricultural sector is responsible for approximately 13 per cent of the state's greenhouse gas emissions.[485]

483 R Garnaut, *The Garnaut Climate Change Review*, 2008, p.258
484 Department of Premier and Cabinet response to 2009-10 Budget Estimates questionnaire, May 2009,p.7
485 Victorian Government, *Future Farming: Productive competitive and sustainable*, 2008, p.5

Victoria has experienced eight consecutive years of below average rainfall. The Minister for Agriculture stated that this is '*the longest drought on record*'.[486] The drought being experienced in Victoria has appearances of climactic change. The Department of Primary Industries states:[487]

> *Substantial variability in rainfall, temperature and extreme events have long characterised farming in Victoria, but our farmers are now facing a changing global climate.*

The government identified in the *Future Farming* strategy that it was '*re-shaping and strengthening its services and policies*' to support the agricultural sector to modernise, partly in preparedness for the challenges of a future affected by climate change. The 2008-09 Budget funded initiatives identified in this strategy. The Department of Primary Industries predicts that without '*adequate preparation, understanding and adaptation*' climate change will reduce farm production. For example dairy output is predicted to decline 5 per cent by 2030 and 10 per cent by 2050.[488] Yet, in the short term an adaptive approach to climate change in agricultural practice (without mitigation) would see growth in the output of some crops. For example, it is predicted that wheat crop yields in Birchip would increase by 14.8 per cent by 2030 compared to 1990 yield. However, this positive short term outlook will likely be '*negated by increasing temperatures and declining available water*' by 2100 with the yield reduced to 24.1 per cent below 1990 output.[489] The results improve if steps are taken to mitigate climate change. It can be concluded therefore that adaptive measures alone will only provide selective short term solutions and mitigation of climate change is a necessity in the longer term.

14.4.2 Climate change action areas

In April 2008 the Victorian Government released the *Future Farming – Productive, Competitive and Sustainable* strategy. Mr Helper stated at the Budget Estimates hearings that what was driving the Strategy was the Government's '*commitment to improving productivity, to improving resilience and to improving sustainability of our farm sector*'.[490] This strategy recognises the need for innovation in the sector to adapt farming systems to the challenges of climate change.

There were seven key action areas in the strategy, of which two focused upon the challenge of climate change:[491]

- new on-farm technology and change to practices; and
- understanding and managing risks in a changing climate.

The Government has committed $5.2 million over four years to '*give farm businesses better access to relevant information and research about climate change*' and $6.2 million over the same period to '*provide lamb, grains and horticulture farmers with new technologies and strategies to adapt their farming systems and practices*'.[492] The funding commitment began with $2.5 million in 2008-09 increasing to $2.9 million in 2009-10.[493] The focus of the *Future Farming* strategy is on management and adaptation to climate change.

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486 Mr J Helper MP, Minister for Agriculture, 2009-10 Budget Estimates hearings, transcript of evidence, 14 May 2009, p.2

487 Victorian Government, *Future Farming: productive, competitive and sustainable*, p.23

488 ibid.

489 R Garnaut, *The Garnaut Climate Change Review*, 2008, p.132

490 Mr J Helper MP, Minister for Agriculture, 2009-10 Budget Estimates hearings, transcript of evidence, 14 May 2009, p.7

491 Victorian Government, *Future Farming: Productive competitive and sustainable*, 2008, p.7

492 Mr J Helper MP, Minister for Agriculture, 2009-10 Budget Estimates hearings, transcript of evidence, 14 May 2009, p.2

493 Department of Primary Industries, response to 2009-10 Budget Estimates questionnaire, May 2009, p.12

The *Garnaut Climate Change Review 2008* argues that adaptation to climate change alone will not be as beneficial as combined adaptation and mitigation. While the Department of Primary Industries and the agricultural sector can have a significant influence on adaptation strategies the sector's influence on mitigation is less as the sector accounts for only 17 per cent of Victoria's greenhouse gas emissions. The National Farmers Federation states that '*there are significant limitations on the degree to which agricultural emissions can be reduced*'.[494] The Government is addressing mitigation through other departments. This has been considered already in this chapter in sections on water resources and energy generation (refer 14.2 and 14.3). Potential reductions in the agricultural sector to affect mitigation do not appear to be a priority. Overall funding for the Department of Primary Industries' *Sustainable Practice Change* output is being reduced.

The 2009-10 Budget provides funding of $163.1 million compared with an expected expenditure of $214.7 million for 2008-09.[495] There are four new performance measures in the 2009-10 Budget, a net increase of one. The new measures are the numbers of: [496]

- farm clients facing significant adjustment pressures case managed to make better informed and timely decisions;
- farming communities provided with information through Agricultural Futures Forums about the key drivers of change for agriculture to guide local decision making;
- case managed irrigation connections undertaken; and
- significant stakeholder interactions on climate change, climate variability and emission management.

The first two new performance measures replaced the numbers of '*targeted areas in which DPI will conduct additional case management for adjustment*' and '*regional communities actively supported through structural adjustment programs*'. The second two are associated with the *Future Farming* strategy. One of these new measures is a target of 1,500 significant stakeholder interactions on climate change, climate variability and emission management. The Committee is of the view that at a time when there is a requirement to develop sustainability in the agricultural sector, the Government has not sufficiently resourced the Department of Primary Industries to meet this requirement. There has been an increase in performance measures in Sustainable Practice Change but funding for this output has been reduced in the last two budgets. The Government has to align funding with its expectations of department performance.

Recommendation 43: **An increase in funding for the Sustainable Practice Change output could be considered to meet increased performance expectations and support mitigation of climate change through development of sustainable farming practices.**

14.4.3 Conclusion

Climate change presents a significant challenge to the future of agriculture in Victoria with potentially radical changes by the end of the century. The gGovernment's *Future Farming* strategy is pursuing initiatives designed to manage changes through adaptation of the agricultural sector to the effects of climate change. The Garnaut Review finds, however, that adaptation without mitigation is insufficient to protect Victoria's agricultural sector. Government programs and initiatives to address climate change in the agricultural sector need to include mitigation alongside adaptation strategies.

494 National Farmers Federation, *Position Statement: Agriculture and the Carbon Pollution Reduction Scheme*, 6 August 2009.

495 Department of Treasury and Finance, Budget Paper No. 3, *2009–10 Service Delivery*, May 2009, p.200

496 ibid., pp.206-8

14.5 Funding for the development and establishment of parks in Victoria

Parks Victoria is responsible for the majority of Victoria's 3.96 million hectares of parks and reserves including 40 national parks and 13 marine national parks. Parks Victoria identifies preservation as its '*highest commitment*' and is achieved through efficient management based on the integration of policy, planning and research.[497] Protection of the national environment was identified as a government priority in its 2009 statement of intention. In addition to protecting natural resources and ecosystems parks provide people with open space and the opportunity to enjoy the natural environment. The 2009-10 Budget has expanded the area preserved in Victoria through the establishment of new parks and increased public access through the development of urban parks.

The 2009-10 State Budget includes:[498]

- $32 million for the establishment of four new national parks and the expansion of some existing parks to protect River Red Gum forests; and
- $24 million for the management, development and expansion of Victoria's parks, including funding for improved amenities.

The importance of Victoria's parks to the public was illustrated by the number of questions the Committee asked the Minister for Environment and Climate Change, at the Budget Estimate hearings.

14.5.1 Development of parks

The 2009-10 Budget provides $24 million in funding for the upgrading of parks and amenities and increased management responsibilities assumed by Parks Victoria. This includes $10 million TEI of asset investment and $4 million of output funding over four years for Point Nepean National Park. There is also $4 million TEI for upgrading and planning of infrastructure for Port Phillip and Westernport bays. A total of $4 million TEI has been allocated for urban parks including increased access to Frankston Reservoir and the associated Dingley Chain of Parks and six outer urban parks spread around Melbourne's city fringes and $2 million to maintain and improve Yarra Bend Park.[499]

The budget has also provided $10.3 million for bushfire preparedness across Victoria.[500]

Point Nepean

In June 2009 the Commonwealth Government transferred the former quarantine and defence site at Point Nepean to the Victorian Government. It is the Government's intention that this land will become part of an expanded Point Nepean National Park. The Minister for Environment and Climate Change stated that there would be constraints on public access due to its historical use and the likelihood of '*ordnance within the landscape*'.[501]

497 Parks Victoria, *About Parks Victoria*, accessed 22 June 2009, http://www.parkweb.vic.gov.au/1aboutus.cfm
498 Department of Treasury and Finance, Budget Paper No. 3, *2009–10 Service Delivery*, May 2009, pp.29-30
499 ibid., p.30
500 ibid., p.285
501 Mr G Jennings MP, Minister for Environment and Climate Change, 2009-10 Budget Estimates hearings, transcript of evidence, 8 May 2009, p.6

The budget allocation for Point Nepean is the Department of Sustainability and Environment's second largest budget initiative comprising $10 million allocated in the State Budget for infrastructure and asset improvement.[502] In addition to this funding there is approximately $15 million residual being transferred with the land from the previous management trust. Therefore, approximately $25 million funding is available for site improvement.[503]

It is expected that there would be four to six direct jobs in the form of Parks Victoria rangers and that 'somewhere in the order of four or five times that direct number of jobs would be created immediately in terms of acquitting the asset program'.[504]

Yarra Bend Park

Parks Victoria has negotiated with local governments to assume management for Yarra Bend Park. The budget provides $2 million funding over four years. It is expected that the shift in management will result in reduced budget pressure for local governments while community engagement will be retained within the new governance structure to protect and enhance the park into the future.[505]

Outer urban parks

The Government has committed funding in the budget to improve facilities and amenities at a ring of outer urban parks. Development at Frankston reservoir will balance increased opportunities for public access with requirements of the reserves as a water storage facility. Complimenting the development of the Frankston reservoir is a proposed Dingley Chain of Parks. Funding for six further outer urban parks improving the integration of parks around the city and the protection and access to a diverse range of ecosystems from grasslands in the west to fern gullies in the Dandenong Ranges. Funding would also help develop amenities such as interpretation facilities, walking trails and barbeques.[506]

Beach renourishment and coastal risk mitigation

The State Budget includes $4 million TEI for upgrading and planning key infrastructure around Port Phillip and Westernport Bays. This funding builds on $21 million TEI committed since 2005-06 toward beach renourishment and coastal risk mitigation. This latest funding is focused on safe boating and includes works at Patterson River, Queenscliff, Rosebud, Williamstown, St Kilda and Werribee.[507]

14.5.2 River Red Gums

The establishment of River Red Gum National and Forest Parks was a government election policy. The establishment of four National Parks to protect River Red Gum forests and associated wetlands will help protect the greater Murray-Darling Basin. The 2009-10 Budget commitment for four new parks is the Department of Sustainability and Environment's largest budget initiative.

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502 Department of Sustainability and Environment response to 2009-10 Budget Estimates questionnaire, May 2009, pp.2-3

503 Mr G Jennings MP, Minister for Environment and Climate Change, 2009-10 Budget Estimates hearings, transcript of evidence, 8 May 2009, p.6

504 ibid., p.6

505 ibid., p.18

506 ibid., pp.13, 16, 22

507 ibid., p.7

The government undertook a process of assessment and engagement in establishing the River Red Gum parks. Initially the Victorian Environmental Assessment Council (VEAC) reported to the Government on the policy objectives for protecting the forests. The recommendations from the report were subsequently considered by a Community Engagement Panel which in turn reported to the government. Both reports were used by the Government in planning the creation of four new National Parks along the Murray and Goulburn rivers and the extension of other parks to protect River Red Gum Forests and wetlands.[508]

The Murray-Darling Basin Authority recognises that the Murray-Darling Basin is under significant environmental stress through over-allocation of water, drought and climate change. The preservation of River Red Gum forests and wetlands supports the objectives of the Murray Darling Basin Authority and the Council of Australian Governments for the region. This includes the Living Murray River restoration program which is returning water to the river system. One aspect of the basin identified for protection is wetlands that have been negatively affected by an '*absence of natural flooding*'.[509]

The River Red Gums project includes water allocation to supply water for the rejuvenation of wetlands through a mimicked flooding event to improve the health of both River Red Gums and wetlands. This feature is similar to the New South Wales Koondrook–Perricoota project. Infrastructure is included to regulate out flows to protect downstream properties.[510]

The establishment of four new parks and the expanding of some existing National Parks to protect '*stressed River Red Gum forests*' is the largest department initiative in the 2009-10 Budget. The Victorian Government has allocated $38.5 million over four years for the River Red Gums project. The Minister for the Environment and Climate Change outlined for the Committee that this funding is made up of $32 million over the forward estimates for operation of the parks and $6.5 million TEI for capital infrastructure.[511]

The Minister for Environment and Climate Change took on notice a question from the Committee for greater details of the funding for the River Red Gum initiative. This information has been reproduced in Table 14.2.

The Committee notes that the second largest funding component of the initiative is ecological thinning and the cessation of grazing from ecological areas. Funding totals $8 million over four years. At the Budget Estimates hearings the Minister for Environment and Climate Change identified the importance of environmental thinning for the optimisation of the outcomes of environmental flows into the wetlands. Thinning activities will be undertaken in consultation with '*the environment movement, local Aboriginal communities and the timber industr*y' and be the responsibility of the Department of Sustainability and Environment and Parks Victoria.

The River Red Gums initiative is expected to generate employment for 30 rangers. It is the government's intention that half the rangers would be from the indigenous community to ensure '*appropriate alignment of land management and cultural heritage management*'. Further employment will be generated through fencing, construction and side-stream vegetation work.[512]

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508 Department of Sustainability and Environment response to 2009-10 Budget Estimates questionnaire, May 2009, p.2; Department of Treasury and Finance, Budget Paper No. 3, *2009–10 Service Delivery*, p.57

509 Murray Darling Basin Authority, *Managing the Murray-Darling Basin*, accessed 22 June 2009 http://www.mdba.gov.au/basin_plan/concept-statement/managing-the-basin

510 Australia Government and Murray Darling Basin Authority , *The Living Murray, Planned works in the Koondrook-Perricoota Forest*, accessed 22 June 2009, http://www.mdba.gov.au/system/files/Koondrook-Perricoota-planned-works.pdf

511 Mr G Jennings MP, Minister for Environment and Climate Change, 2009-10 Budget Estimates hearings, transcript of evidence, 8 May 2009, p.10

512 Mr G Jennings MP, Minister for Environment and Climate Change, 2009-10 Budget Estimates hearings, transcript of evidence, 8 May 2009, pp.10-1

Table 14.2: Budget funding allocation for River Red Gum parks

Components	2009-10	2010-11	2001-12	2012-13	4 Year Total
Output components	**($ million)**				
Timber Industry Assistance Package	4.5				**4.5**
Ecological thinning and grazing removal from ecological areas, including fencing and rehabilitation	2.5	2.5	2.5	0.5	**8.0**
Park management, including park rangers	0.5	3.45	3.5	4.9	**12.35**
Regional waste management		0.2	0.3	0.3	**0.8**
Park boundary establishment and mapping		1.25	1.25		**2.5**
Pest plant and feral animal management		0.4	0.4	0.4	**1.2**
Establishment of boards of management and indigenous site protection works		0.25	0.3	0.4	**0.95**
Planning, recreation and community programs for new parks		0.33	0.32	0.23	**0.88**
System establishment to facilitate harvest of pest animals	0.2	0.2	0.2	0.2	**0.8**
Total – output funding	**7.7**	**8.58**	**8.77**	**6.93**	**31.98**
Asset components					
Visitor services management, including road and track upgrades and signage		0.3	1.37	0.84	**2.51**
Environmental water structural works			1.0	3.0	**4.0**
Total – asset funding		**0.3**	**2.37**	**3.84**	**6.51**

Source: Minister for Environment and Climate Change, response to Questions on Notice,15 June 2009, Attachment 2

In its final report on the River Red Gums Forests Investigation, VEAC concluded:[513]

> *The costs of the recommendations would be largely borne in the areas near where public land timber harvesting and grazing are focussed. The small communities of Cohuna, Koondrook, Nathalia and Picola are likely to be most sensitive to the effects of cessation of timber harvesting, as small towns have relatively little flexibility to accommodate change, particularly in the context of economic difficulties these areas have experienced in recent years.*

The VEAC recommended (recommendation R4) that:[514]

> *Where individuals or local communities are adversely affected as a result of the implementation of recommendations in this report, government establishes a process to evaluate and implement mechanisms and levels of assistance required to minimise those effects.*

The budget set out in Table 14.2 includes a $4.5 million *Timber Industry Assistance Package*. The Committee notes VEAC's recommendation and emphasises the importance of the government evaluating whether that package is effective and sufficient to help those communities affected by the establishment of the River Red Gum parks.

513 Victorian Environmental Assessment Council, *River Red Gum Forests Investigation*, July 2008, p.97

514 ibid., p.26

CHAPTER 15: CARING COMMUNITIES

Key findings of the Committee:

15.1 **The 2009-10 Budget for child protection and family services is $583 million. This represents an increase of 5.2 per cent on the expected outcome for 2008-09 and includes output funding initiatives of $149.6 million and asset initiatives of $10 million over four years to strengthen the State's response to vulnerable children and young people.**

15.2 **The Department of Human Services should review reporting of performance measures relating child protection services, including staffing and case loads.**

15.3 **In May 2009, the Victorian Government released *Directions in out-of-home care.* This document outlines seven reform directions aimed at improving the out-of-home care system. The 2009-10 Budget includes $125 million over four years for reform of out-of-home care services.**

15.4 **The Department of Human Services needs to develop a framework for evaluating the outcomes resulting from implementation of the reforms outlined in the *Directions in out-of-home care* document and needs to ensure adequate monitoring of implementation of the reforms by community service organisations providing residential care on behalf of the State.**

15.5 **The Department of Human Services should support research into the comparative outcomes of different types of out-of-home care to inform future strategic and policy direction.**

15.6 **On 7 February 2009, Victoria experienced the worst bushfires in Australia's history. The 2009-10 Budget includes $908 million over five years ($593 million in 2008-09) to assist bushfire response and recovery.**

15.7 **The Victorian Bushfire Appeal Fund raised a total of $382 million ($379 million in donations and $3 million in interest earnings). As at 30 July 2009, a total of $266 million had been allocated by the Appeal Fund with 15,180 payments having been made totalling $172 million.**

15.8 **Both the Victorian Bushfire Appeal Fund and the Victorian Bushfire Reconstruction and Recovery Authority provided detailed and comprehensive reports on the first six months of their respective activities.**

15.9 **The Department of Human Services received $103.9 million ($48.9million in 2008-09) in the 2009-10 Budget for bushfire recovery and response output initiatives. Of this, $70.1 million was provided over two years for the establishment of the Victorian Case Management System to assist individuals and families affected by the bushfires receiving access to grants and services.**

15.10 **The Department of Human Services should consider including more detailed information in its future annual reports in relation to outputs and outcomes of its Bushfire Recovery Service Delivery Unit.**

15.11 **The 2009-10 Budget includes $167 million (including $76 million TEI) over four years to improve and maintain Victoria's emergency services communications. Of this the Emergency Services Telecommunications Authority (ESTA) received $56.2 million to improve its capacity to manage calls and dispatch units.**

15.12 **In 2008, the Victorian road toll was 303 which represented a decrease of 8.7 per cent on the toll recorded for 2007. The number of serious injuries relating to a road accident also fell from 7,904 in 2007 to 6,504 in 2008 (a fall of 18 per cent).**

15.13 **The 2009-10 Budget includes an allocation of $155 million (including $28 million TEI) over four years to the Department of Justice for road safety initiatives aimed at fighting the incidence of road trauma.**

15.14 **In 2008, the Victorian Government announced its new road safety strategy, Arrive Alive 2008-2017 (Arrive Alive 2) which follows on from the first Arrive Alive! Strategy announce in 2002. Arrive Alive 2 involves the efforts of Victoria Police, the Transport Accident Commission, VicRoads and the Department of Justice working together to implement actions under the strategy.**

15.15 **The Department of Justice should consider developing relevant and appropriate performance indicators directed at assessing the achievements of its road safety initiatives in 2009-10 and over the forward estimates period.**

15.16 **The Road Safety Executive Group should consider the development and inclusion of an evaluation strategy and performance measures and targets in future Arrive Alive 2 Action Plans. In addition, the Group should determine a process for publicly reporting the results and outcomes following completion of each of the three year action plans under the Government's Arrive Alive 2 Road Safety strategy.**

15.1 Introduction

The two goals under the 'Caring Communities' vision of the *Growing Victoria Together* (GVT) initiative are:

- Building friendly confidant and safe communities; and
- A fairer society that reduces disadvantage and respects diversity.

In considering the budget estimates, the Committee asked a total 148 questions in relation to the 'Caring Communities' vision. This comprised 31.0 per cent of the total questions asked during the Budget Estimates hearings.

The answers provided at the Budget Estimates hearings were recorded in Hansard and the transcripts of evidence have been reproduced in the *Report on the 2009-10 Budget Estimates – Part One, Volume Two*.

This Chapter presents information and analysis on a number of key issues canvassed by the Committee at the Budget Estimates hearings concerning government services and activities relevant to the 'Caring Communities' vision of *Growing Victoria Together*.

15.2 Child Protection and Family Services

15.2.1 Introduction

Child Protection and Family Services are provided under the Community Services portfolio of the Department of Human Services (DHS). These services make a significant contribution to the goals of the Caring Communities vision of the Government's *Growing Victoria Together* initiative.

The DHS provides statutory child protection, parenting services, adoption and placement services and specialist support services to promote the safety and wellbeing of children and adolescents at risk of abuse, harm or neglect. The type of service provided by the Department is dictated by how serious the risk of harm is to a child's safety and wellbeing.

Policy and principles

The policy objectives of the *Children, Youth and Families Act* 2005 and the *Child Wellbeing and Safety Act* 2005 are: [515]

- *To promote children's best interests, including a new focus on children's development;*
- *To support a more integrated system of effective and accessible child and family services, with a focus on prevention and early detection; and*
- *To improve outcomes for children and young people in the Child Protection and out-of-home care system.*

In accordance with the legislation, the Department has developed a '*Best Interests framework for vulnerable children and youth'* to provide a consistent understanding of the '*Best Interests principles*' enshrined in the legislation and how they impact on practice.

Funding for child protection and family services

Table 15.1 shows expenditure/funding for Child Protection and Family Services within the Department between 2007-08 and 2009-10.

[515] Victorian Government, *The Children, Youth and Families Act 2005, The Child Wellbeing and Safety Act 2005, A framework to promote children's safety, wellbeing and development,* April 2006

Table 15.1:Child protection and family services expenditure/funding 2007-08 to 2009-10 ($m)

Output	2007-08 [a]	2008-09 [b]	2009-10 [c]
Statutory Child Protection Services	129.7	139.4	137.9
Specialist Support and Placement Services [d]	261.2	278.9	302.7[e]
Family and Community Services	119.1	135.6	142.4[f]
Total	**510.0**	**553.9**	**583.0**

Notes: *(a) Actual expenditure, DHS Annual Report 2007-08, p.153*

(b) Expected outcome, Department of Treasury and Finance, 2009-10 Service Delivery, Budget Paper No.3, pp.112-113

(c) 2009-10 Target, Department of Treasury and Finance, 2009-10 Service Delivery,Budget Paper No.3, pp. 112-113

(d) This output is a merger of Child Protection Specialist Services and Placement Support Services recorded separately in 2007-08.

(e) This figure reflects additional funding for out-of-home care reform.

(f) This figure reflects additional funding for sexual assault counselling initiatives.

At the Budget Estimates hearings, the Committee heard from the Minister for Community Services, that the Government has been progressively reforming Victoria's child protection system over the past few years with additional focus on prevention and early intervention which has contributed to the stabilisation of child abuse substantiations (i.e. where a conclusion has been reached following an investigation that a child has been or is likely to be abused, neglected or suffer harm) in Victoria.[516]

2009-10 Budget initiatives

The 2009-10 Budget allocates a total of $160 million over four years to strengthen further the State's response to vulnerable children and young people. This additional investment comprises:[517]

- $125 million over four years for out-of-home care services. Initiatives include additional placements for children removed from their family; additional support to community service organisations providing residential care; increased capacity for programs providing intensive in-home assistance to children, young people and families to help resolve problems; creation of a new intensive in home support option for children with challenging behaviours; an expansion in the psychological and behavioural treatment services for children in out-of-home care; establishment of a community mentor program for children in out-of-home care; and cultural training to better meet the needs of indigenous children in out-of-home care;
- $10 million total estimated investment (TEI) over three years for the renovation and upgrade of residential care facilities;
- $14.6 million over four years to enable the expansion of the after hours child protection emergency service, the 'streetwork' outreach service and the advocacy and alternative accommodation service for young people; and
- $10.5 million over four years for the continuation of sexual assault counselling services for children to support a reduction in waiting times.

516 Ms L Neville MP, Minister for Community Services, 2009-10 Budget Estimates hearings, transcript of evidence, 19 May 2009, p.2

517 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.40

Table 15.2 shows the amounts provided to the Department for child protection output and asset initiatives in the 2009-10 Budget and forward estimates period.[518]

Table 15.2: DHS – Child Protection and Family Services – Output and Asset Initiatives 2009-10 to 2012-13

Output Initiatives	2009-10	2010-11	2011-12	2012-13	Total
Out-of-Home Care Reform	26.7	29.8	34.7	33.3	124.5
After Hours Child Protection Emergency and Crisis Response Services	3.5	3.6	3.7	3.8	14.6
Sexual Assault Counselling Services for Children	2.2	2.5	2.8	3.0	10.5
Total Output Initiatives	**32.4**	**35.9**	**41.2**	**40.1**	**149.6**
Asset Initiatives					
Out-of-Home Care – Upgrading Existing Residential Care Facilities	3.0	4.0	3.0	-	10.0
Total Asset Initiatives	**3.0**	**4.0**	**3.0**	**-**	**10.0**
Total Budget Initiatives	**35.4**	**39.9**	**44.2**	**40.1**	**159.6**

Source: Department of Treasury and Finance, 2009-10 Service Delivery, Budget Paper No. 3

15.2.2 DHS Child Protection staffing and workload

Child protection staffing

As part of its *2009-10 Budget Estimates* questionnaire the Committee requested Effective Full-time (EFT) staff numbers (non-executive) as at 30 June 2008 together with estimates of EFT staff numbers at 30 June 2009 and 30 June 2010. Table 15.3 shows the number of staff working in the Department's child protection services between June 2007 and projected to June 2010.

Table 15.3: DHS Child protection workforce June 2007 to June 2010

Form of employment	June 2007	June 2008	June 2009 (b)	June 2010 (c)
Ongoing (FTE) (a)	1179	1221	1225	1244
Fixed term and casual (FTE)	175	200	194	197
Total staffing	**1354**	**1421**	**1419**	**1441**

Notes: *(a) FTE means full-time equivalent staff.*

(b) June 2009 staff numbers are an estimate based on the number of staff employed by the Department at March 2009.

(c) June 2010 staff numbers are based on FTE results over the last 60 months and application of statistical forecasting techniques.

Sources: Department of Human Services, Annual Report 2007-08, DHS response to the Committee, letter received 28 May 2009.

[518] Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.321

At the Budget Estimates hearing in May 2009, the Minister for Community Services was asked for details of the number of child protection staff having direct contact with children and the number who will have direct contact with children into the forward estimates. In July 2009, the Minister provided advice to the Committee on notice that: [519]

> *Whilst it is not possible to give a precise figure, the overwhelming majority of the child protection staff employed by the Department have direct contact with children.*
>
> *The number of child protection staff having direct contact with children will be maintained across the forward estimates.*

Child protection workload

Child protection work is complex and demanding. The number of child protection notifications (reports) is growing nationally. Figures produced by the Australian Institute of Health and Welfare (AIHW) indicate that the number of notifications rose 3 per cent nationally from 309,448 in 2007 to 317,526 in 2008.[520]

Table 15.4 shows the number of notifications (or reports) received by the Department and the number of substantiations for 2006-07 and 2007-08.

Table 15.4:Number of notifications and substantiations 2000-01 to 2007-08

Year	Notifications/reports	Substantiations	Percentage of Substantiations per Notification
2006-07	38,675	6,828	17.6
2007-08	41,607	6,365	15.3

Source: Australian Institute of Health and Welfare, Child Protection Australia 2007-08, pp.23 and 25

Analysis of child protection data across Australia undertaken by the AIHW in relation to the increase in the number of notifications and decrease in substantiations is suggested to reflect an increased awareness of child protection concerns in the wider community and a greater willingness to report potential concerns to child protection services.[521]

The Department recognises that there are difficulties associated with recruitment and retention of child protection staff. In March 2008, the Department launched a recruitment campaign to attract applicants from the United Kingdom and Ireland to child protection jobs in Victoria in an attempt to address shortages being experienced locally and nationally. As a result of this campaign, 30 new child protection workers were hired in November 2008.[522]

519 Ms L Neville MP, Minister for Community Services, *2009-10 Budget Estimates Further Information – Community Services*, letter received 28 July 2009

520 Australian Institute of Health and Welfare, *Child protection Australia 2007-08*, Canberra, Australia, 2009, p.22

521 ibid., p.24

522 www.dhs.vic.gov.au/humanservicesnews/nov08/uk.htm accessed 17 September 2009

The State Ombudsman's *2008-09 Annual Report* also includes a number of concerns in relation to child protection service delivery. In particular, the Ombudsman comments on the Department's inability to provide vulnerable children with a case worker and delays in the investigation of serious allegations due to demand pressures on limited resources. The report notes that as a result of these concerns, in April 2009, the Ombudsman commenced an investigation into the Department's Child Protection Program.[523]

As part of its response to the Budget Estimates questionnaire on staffing matters, the Department advised the Committee that, in line with government policy, staffing levels are adjusted to meet service delivery and associated support requirements as need arises.[524]

In response to concerns regarding child protection, the Premier announced on 18 September 2009, that an additional $77.2 million will be made available over the next four years to fill existing staff vacancies in the Department and recruit additional staff. In addition, a specialist intervention team will be established to mentor staff and assist managing case backlogs.[525]

A review of the performance measures included in the Department's *2007-08 Annual Report* and also in Budget Paper No. 3, indicates that information related to child protection services staffing and workload comprises:

- the number of child protection reports received in the year;[526]
- the daily average number of placements;[527]
- the number of children receiving an intensive support service;[528]
- the total number of family services cases provided; and[529]
- the number of child protection employees.[530]

The Committee considers that it is timely for the Department to review the performance indicators for child protection services, including human resource workloads.

Recommendation 44: **The Department of Human Services review the performance indicators for child protection services including human resource workloads.**

523 Ombudsman Victoria, *Annual Report 2008-09*, September 2009, pp.28-32
524 Ms F Thorn, Secretary, Department of Human Services, response to the Committee on the 2009-10 Budget Estimates questionnaire, letter received 28 May 2009, p.30
525 www.premier.vic.gov.au/$77.2-million-boost-to-child-prtection.html accessed 25 September 2009
526 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.112
527 ibid., p.112
528 ibid., p.112
529 ibid., p.113
530 Department of Human Services, *Annual Report 2007-08*, p.77

15.2.3 Out-of-home care services

Out-of-home care is a service provided by the DHS and a number of community service organisations to provide accommodation and care to children and young people (up to the age of 18 years) who cannot live with their own families. Out-of-home care can be provided for protective reasons, such as in the case of abuse or neglect or for other family reasons such as a parent or guardian illness or inability to provide adequate care.

There are essentially two types of out-of-home care provided by the Department: [531]

- Home-based care is the term used to describe care provided in a carer's own home and includes:
  - foster care;
  - shared family care;
  - adolescent community placement;
  - specialised home-based care;
  - one-to-one home-based care;
  - innovative home based care;
  - kinship care; and
  - permanent care.

Residential care refers to supported accommodation provided by community service organisations contracted by DHS.

There has been an increasing preference both in Australia and overseas for children to be placed in home-based care rather than residential care. Residential care is mainly used for children who have complex needs and older children (over 10 years of age).[532]

According to the most recent report by the AIHW on *Child Protection in Australia 2007-08*, the statistics on children in out-of-home care in Victoria are as follows:[533]

- the total number of Victorian children in out-of home care as at 30 June 2008 was 5,056 an increase of 39.9 per cent (1441 children) since 1998;
- between 30 June 2007 and 30 June 2008 the number of children in out-of-home care was stable (i.e. an increase of 4 children over the year);
- the rate of Victorian children in out-of-home care increased from 3.2 per 1,000 at 30 June 1998 to 4.2 per 1,000 at 30 June 2008;
- at 30 June 2008, 48.9 per cent of children in out-of-home care were in foster care, 36.1 per cent were in kinship or relative care, 6.1 per cent were in other home-based care and 8.4 per cent were in residential care; and
- the rate of indigenous children in out-of-home care in Victoria was nearly 14 times higher than the rate for other children.

531 www.ocsc.vic.gov.au/iru/definition.htm, accessed 14 August 2009

532 Australian Institute of Health and Welfare, *Child protection Australia 2007-08*, Canberra, Australia, 2009, pp.57-59

533 ibid., pp.57-63

The Government's reform of out-of-home care

As mentioned earlier in this Chapter, the 2009-10 Budget includes $125 million over four years for reform of out-of-home care services. In May 2009, the Government released *'Directions for out-of-home care'* which outlines a framework for reform of the system over the next five years.[534]

The reforms are aimed at: [535]

- developing and supporting families to enable more children and young people to grow up at home;
- re-designing care facilities to provide greater placement choice and better matching of children and young people to placements; and
- improving the outcomes and life chances for children and young people in care.

The Government's new out-of-home care agenda is based on seven reform directions as follows:[536]

- *Reform direction 1: Support children to remain at home with their families.*
- *Reform direction 2: A better choice of care placement.*
- *Reform direction 3: Promote wellbeing.*
- *Reform direction 4: Prepare young people who are leaving care to make the transition to adult life.*
- *Reform direction 5: Improve the education of children in care.*
- *Reform direction 6: Develop effective and culturally appropriate responses for the high numbers of Aboriginal children in care.*
- *Reform direction 7: A child focussed system and processes.*

The Committee looks forward to the results and achievements of the Government's reform of the out-of-home care system under the *'Directions for out-of-home care'* document. To this end, it is important that the Department of Human Services undertakes regular monitoring and assessment of the actions taken with respect to these reforms to assess progress and report achievements and to guide decision-making over the reform period.

534 ibid., p.10
535 ibid., p.3
536 ibid., pp.4-5

Recommendation 45: **The Department of Human Services develop a formal evaluation framework for the *Directions for Out-of-home care strategy* and the outcomes arising to inform future decision-making and strategic actions.**

Recommendation 46: **The Department of Human Services ensure that:**

(a) **community service organisations, providing residential care on behalf of the State, have a clear understanding of the aims and reform initiatives outlined in the 'Directions for out-of-home care' and, in particular, expected improvements in outcomes intended to flow from these reforms; and**

(b) **adequate monitoring systems are in place to assess the effective implementation of the reforms, and the improvements made, by community service organisations providing residential out-of-home care.**

15.2.4 Measuring quality outcomes for children and young people in out of home care

Ongoing performance measurement is critical to assessing how well a program is meeting its objectives and the program results and achievements. Such information assists decision-making and improvement strategies. A comprehensive system of performance measurement provides useful data for targeting service improvement and more effective application of resources.

The state of Victoria's children

Since 2006 the Victorian Government through the Department of Education and Early Childhood Development (DEECD) has published a report entitled, *'The state of Victoria's children'* which sets out the status of children and young people up to 18 years in terms of health, learning, development, safety and wellbeing.

The most recent report released in June 2009, notes that there has been a declining trend in the number of child protection substantiations per 1000 children in Victoria between 2000-01 and 2006-07. However, the report also notes that the number of child protection substantiations do not provide an accurate measure of the prevalence of child abuse as they only relate to cases which have come to the attention of child protection authorities (i.e. have been reported or notified).[537]

[537] Department of Education and Early Childhood Development, *The state of Victoria's children – Summary Report*, State of Victoria, Melbourne, June 2009, p.7, 9-11

The report also includes comment on the education, health and wellbeing outcomes of children in priority population groups, namely indigenous children, children with a disability, children from culturally and linguistically diverse (CALD) backgrounds and children in out-of-home care. However, the report notes that: [538]

> *Outcomes data in relation to children with a disability, CALD children and children in out-of-home care continue to be limited and this is particularly so in respect to Victorian data…Gaps in our knowledge about outcomes for children from these priority groups will be addressed by future data collections.*

The Child Safety Commissioner provides advice to the Minister for Community Services and the Minister for Children and Early Childhood Development on issues impacting on the lives of children in particular vulnerable children and young people. The core functions of the Office of the Child Safety Commissioner are:[539]

- Promotion of child safe environments;
- Monitoring Victoria's out-of-home care system;
- Conducting inquiries into the deaths of children known to the child protection system and into other matters referred by the Minister for Children and Early Childhood Development; and
- Informing the community about the *Working with Children Act* 2005 and reviewing the administration of the Act.

In May 2007, the Child Safety Commissioner released the '*Charter for Children in out-of-home care*' which identifies 16 rights that children in out-of-home care can expect. The Department of Human Services *2007-08 Annual Report* states:[540]

> *…the charter provides a comprehensive framework that guides our policies, programs and services. The charter also forms the basis for the development of outcomes for children in out-of-home care, and once developed these outcomes will be reported.*

The Committee encourages DHS to collaborate with DEECD and the Child Safety Commissioner in further work on improving knowledge of outcomes for specific groups of children. The Committee also supports the Child Safety Commissioner in undertaking regular reviews of out-of-home care providers to ensure they are complying with the *Charter for Children in out-of-home care* and are meeting the Department's service standards for out-of-home care.

Outcomes for different forms of out-of-home care

As mentioned earlier in this Chapter, the proportion of Victorian children in foster care in June 2008 was 48.9 per cent compared with 8.4 per cent in residential care.

Research undertaken in Australia and internationally indicates that while the number of children needing placements is increasing, there are decreasing numbers of foster care placements available. This has been attributed to the increase of working women, the economic cost of foster care for carers, increasing expectations and 'professionalism' of foster carers and attrition through an ageing population. Also, the emphasis on 'placement' stability' and permanency planning' has increased pressure on the system as children remain in care longer. This has reduced the capacity

538 ibid., p.11
539 www.ocsc.vic.gov.au accessed 17 August 2009
540 Department of Human Services, *Annual Report 2007-08*, p.55

of existing carers to take new children entering the system and has also seen changes in the age profile of children and needs of those children remaining in care longer. [541]

In March 2009 the Government funded a $500,000 campaign aimed at recruiting foster carers in Victoria. The campaign entitled '*Fostering a brighter future'* comprised radio and television media, posters, brochures and a DVD for prospective carers. This campaign followed the Government's funding of uniform foster care training and assessment packages in 2007 and an investment of $16.5 million for the roll-out of therapeutic foster care. [542]

A review of the research undertaken into out-of-home care in Australia by the Australian Institute of Family Studies concluded that there were significant research gaps in relation to residential care and kinship care and also with respect to comparisons in the outcomes for children in different types of residential care and in kinship care and foster care.[543] Further research supported by DHS would be valuable to inform future strategies and policy directions.

15.3 Emergency management and disaster relief

One of the goals under the Government's GVT vision is building friendly, confidant and safe communities. This includes both strong support networks and services to meet the needs of members living in Victorian communities and excellent policing and emergency services.[544]

15.3.1 Black Saturday Bushfires

On 7 February 2009, Victoria experienced the worst bushfires in Australia's history. As a result of these fires 173 lives were lost, many homes and businesses were destroyed and significant other physical, psychological and environmental damage was incurred. As noted in Chapter 2 of this report, bushfire recovery was identified as a specific budget strategy in the 2009-10 Victorian Budget due to the significance of this event.

The 2009-10 Budget provides a total of $908 million over five years and $78 million TEI for services and infrastructure to assist bushfire response and recovery. As already noted in this report, around $593 million of the total output funding of $908 million was provided in 2008-09 due to the urgency surrounding assistance and recovery activities.

Following the fires, the Victorian and Commonwealth Governments together with the Red Cross established the 2009 Victorian Bushfire Appeal Fund ($2 million donation to the Fund by the Government is included in the 2009-10 Budget). Budget Paper No. 3 states that an independent advisory panel has been established to make decisions on the allocation of the donations and as at May 2009, $240 million had been allocated to persons affected by the fires.[545]

541 Bromfield, Higgins, Osborn, Panozzo and Richardson, *Out-of-home care in Australia: messages from research,* Introduction, Australian Institute of Family Studies, National Child Protection Clearinghouse, 2005, pp.2-3

542 Media release, Minister for Community Services, *Foster a brighter future for Victoria's children,* 18 March 2009

543 Bromfield, Higgins, Osborn, Panozzo and Richardson, *Out-of-home care in Australia: messages from research,* Introduction, Australian Institute of Family Studies, National Child Protection Clearinghouse, 2005, pp.106-107

544 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.418

545 ibid., p.10

In addition, immediately following the fires, the Government established:

- A Royal Commission to inquire into the causes of, and responses to, the fires and to make *'recommendations on bushfire prevention, response policy and practices'*[546] ($40 million over two years provided in the 2009-10 Budget). The Commission brought down its Interim Report on 17 August 2009. A final report is due in July 2010; and
- The Victorian Bushfire Reconstruction and Recovery Authority (the VBRRA) to oversee and co-ordinate the restoration and recovery process across the State ($21 million over two years is provided in the 2009-10 Budget).

In addition to the funding mentioned above, the funding package for Bushfire response and recovery, outlined in the 2009-10 Budget, includes: [547]

Fighting the fires

- Fire suppression activities carried out by the Department of Sustainability and Environment, the Metropolitan Fire Brigade and Country Fire Authority ($344 million); and
- Provision of additional police resources ($24 million).

Supporting bushfire affected people and families

- Case managers to provide Bushfire victims with assistance and support ($70 million over two years); and
- Compassionate emergency assistance ($36 million provided in 2008-09).

Assisting bushfire-affected businesses

- Business Assisted Packages to small businesses and primary producers ($51 million); and
- Marketing and redevelopment of tourism infrastructure in regions economically affected by the fires ($10 million).

Rebuilding communities

- Clean-up and demolition program ($46 million over two years); and
- Restoration of roads and public transport services ($15 million).
- Community Recovery Fund ($10 million).

Preparing for the future

- Maintenance and improvement of emergency communications for the public and between emergency services organisations ($167 million over four years);
- Modernise fire fighting equipment and provision of more operational staff ($70 million over five years. This is in addition to the provision over five years of $53 million for additional fire management resources announced in the *2008-09 Budget Update*); and
- Recognition, retention and recruitment of volunteer emergency services personnel ($3.9 million).

546 ibid.

547 Department of Treasury and Finance, *Victorian Budget, 2009-10 Overview*, May 2009, pp.4-5

The Victorian Bushfire Appeal Fund

The Victorian Bushfire Appeal Fund (the Appeal Fund) was established in February 2009 immediately following the bushfires and was officially closed on 17 April 2009. The Appeal Fund has raised $379 million in donations and generated a further $3 million in interest over this period. The monies are held in a trust account established by the Victorian Government. [548]

Payments from the Appeal Fund are distributed through the DHS at the direction of an Independent Advisory Panel (Advisory Panel) which was chaired by Mr John Landy AC CVO MBE up until 8 September 2009 and is currently chaired by the Hon. Pat McNamara. [549] The Advisory Panel is supported by a Secretariat, provided by the Department of Premier and Cabinet, and an Implementation Unit operated by the DHS. The Implementation Unit is responsible for assessing applications, making payments and liaising with DHS case managers to assist those affected by the bushfires. [550]

In August 2009, the Appeal Fund published a *'Six Month Progress Report'* detailing its activities since February and together with information about the gifts (payments/grants) made. The Advisory Panel developed criteria for gift proposals to ensure that payments made reflected the intent of donors and addressed individual and community needs. The Appeal Fund's six-month report states that as at the end of July 2009, it has made available 22 types of gifts totalling $266 million. This amount represents best estimate of the funds likely to be required assuming a 100 per cent take-up rate.[551]

As at the end of July 2009, a total of 15,180 payments, totalling $172 million had been made. Table 15.5 shows the gifts made available from the Appeal Fund and the payments allocated as at 31 July 2009.[552]

548 Victorian Bushfire Appeal Fund, *Six Month Progress Report,* August 2009, p.3
549 www.dhs.vic.gov.au/bushfireappeal accessed 21 September 2009
550 Victorian Bushfire Appeal Fund, *Six Month Progress Report,* August 2009, p.3
551 ibid., pp.4-5, 11
552 ibid., pp.10-11

Table 15.5: Victorian Bushfire Appeal Fund – gifts available and amounts allocated

Gift	Grant amount	Total allocated ($m)
Compassion & Bereavement	$10,000 for next of kin	1.74
Initial Home Dislocation	$5,000/household, $2,000 for each person 18+ yrs, $1,500 for each child <18 yrs	30.00
Severe Injury	$7,500 lump sum	1.28
Household Repairs	$3,000 lump sum	2.36
Tools of Trade	$5,000 lump sum	1.50
Rehousing & Recovery-Destroyed Properties	$35,000 lump sum plus $15,000 contents, plus an up to $50,000 needs-based payment	119.00
Rehousing and Recovery-Houses Under Construction	Up to $25,000 pre lock-up and $35,000 for post lock-up	(a)
Rehousing & Recovery-Damaged Properties	$15,000 lump sum plus an up to $7,500 needs-based payment	22.50
Rehousing & Recovery-Tenant Properties	$15,000 lump sum	5.50
Exceptional hardship	Up to $8,000	0.80
Community Assistance	$9.1 million package to affected Councils	9.10
Rural Property Recovery Assistance	Up to $5,000	5.00
Severe Injury Transition to Home	$50,000 lump sum plus up to $50,000 for those eligible	2.00
Winter Needs	$2,000 per household	8.00
Community Winter Events	$5,000 to $25,000 per community	1.00
Bereaved Children & Children of the Permanently Impaired	$8 million in assistance	8.00
School Holiday Programs	$5 million package for the YMCA	5.00
Support for Boarders to Rehouse	$5,000 per home for two residents and $7,500 for three or more residents	0.25
Transitional Support for Home Owners	$10,000 per home for up to two residents and $15,000 per home for three or more residents	20.30
Transitional Support for Tenants and Boarders	$5,000 per home for up to two residents and $7,500 per home for three or more residents	20.30
Essential Services for Temporary Accommodation	$11 million package	11.00
Psychological Counselling Phase 1	$4.6 million for primary and secondary students plus $3.5 million for services to people needing extra psychological support. $700,000 to discussion & support groups	8.80
Total value of gifts made available		**265.80**
Total value of gifts disbursed to date		**172.00**

Notes: (a) Included in Rehousing and Recovery-Destroyed Properties

Source: Victorian Bushfire Appeal Fund

The Bushfire Reconstruction and Recovery Authority

The Victorian Bushfire reconstruction Recovery Authority (VBRRA) was established on 10 February 2009 by the Victorian and Commonwealth Governments and is chaired by Ms Christine Nixon who is also a member of the Victorian Bushfire Appeal Fund Independent Advisory Panel.

The work of the VBRRA is based on a disaster recovery framework covering, Communities and People; Reconstruction; Local Economies; and the Natural Environment.[553] The Authority is responsible for overseeing and co-ordinating Victoria's bushfire recovery process and liaises with communities, businesses, charities, local government and State and Commonwealth Government agencies.

In August 2009, the VBRRA also produced a six-month progress report on its activities in each of the areas identified in its disaster recovery model. The report includes information in relation to the total of grants paid by the Appeal Fund to communities and the number of cases managed in each community. Table 15.6 shows a summary of this information across each of the regional areas.[554]

Table 15.6:Cases and grants paid across communities as at 30 July 2009

Community area	Number of cases managed	Appeal Fund grants paid ($m approx)
Alpine	93	1.35
Baw Baw	218	4.38
Greater Bendigo	195	4.96
Horsham	74	0.99
Latrobe	353	16.49
Mitchell	294	11.53
Mount Alexander	46	0.79
Murrindindi	1329	97.14
Nillumbuk	381	12.17
Wellington	72	1.38
Whittlesea	341	3.98
Yarra Ranges	472	13.85
Other	1316	3.82
Total	**5184**	**172.83**

Source: Victorian Bushfire Reconstruction and Recovery Authority

553 Victorian Bushfire Reconstruction and Recovery Authority, *Six month report*, Progress Report No.2, State Government of Victoria, August 2009, p.3

554 ibid., pp.8-9

The Committee recognises the informative nature of the six month progress reports published by both the Appeal Fund and the VBRRA and commends these organisations on the work undertaken to date in assisting Victoria's recovery from the 2009 Bushfires. The Committee looks forward to future reports on the activities of these organisations.

In relation to amounts allocated by the Appeal Fund, the Committee noted that the Appeal Fund has allocated a number of significant funding packages to provide specific services to bushfire affected communities. These amounts include:

- $9.1 million package provided to bushfire affected local councils;
- $5 million package for the YMCA to develop and implement school holiday programs in bushfire communities;
- $11 million package for the provision of essential services to between 500 and 1000 private landowners residing in temporary accommodation; and
- $8.8 million package provided psychological counselling and support services.

DHS Victorian Case Management Service

Budget Paper No. 3 notes that the DHS will play a significant role in supporting individuals and communities affected by the Victorian bushfires. Indeed at the Budget Estimates hearing the Minister for Community Services advised that the Department had taken a lead role in the recovery process directly following on from the work of emergency services in battling the fires. To support these activities the Department established Community Service Hubs in the 10 most affected communities ($2.1 million provided in the 2009-10 Budget) to provide a single point of access for the range of services offered and a Bushfire Recovery Service Delivery Unit to manage its work in this area and co-ordinate its activities with the VBRRA.[555]

The 2009-10 Budget includes an allocation to the Department of $103.9 million ($48.9 million in 2008-09) for bushfire response and recovery output initiatives as follows:[556]

Table 15.7: DHS – 2009 Victorian Bushfire Response and Recovery 2008-09 and 2009-10 ($m)

Output Initiatives	2008-09	2009-10	Total
Case Management Program	15.1	55.0	70.1
Grants to Individuals and Housing Support	19.7	-	19.7
Health and Wellbeing	7.6	-	7.6
State Coordination and Regional Response and Recovery	6.5	-	6.5
Total Output Initiatives	**48.9**	**55.0**	**103.9**

Source: Department of Treasury and Finance, Budget Paper No. 3, 2009-10 Service Delivery, May 2009

555 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.84

556 ibid., p.284

As noted above, $70.1 million is provided over two years to establish a Case Management Service for victims of the Victorian bushfires. The Victorian Case Management Service has been established by the Victorian and Commonwealth Governments to provide case managers to assist individuals and families with matters relating to accommodation, finance, counselling, health, education, employment and legal services.[557]

At the Budget Estimates hearing in May 2009, the Minister for Community Services advised the Committee that the case management service has involved 72 agencies with almost 400 case managers assisting just over 4,000 individuals and families. Further, the Committee heard that case managers generally have around 10 active cases and assist people with form filling and advice with regard to the range of grants and services available. In addition the Committee was advised that grants are paid at the most within three days of their application being received assuming that eligibility criteria is met.[558]

The six-month report of the VBRRA presents the following data in relation to the case management service as at 30 July 2009: [559]

- 363 case managers;
- 5,184 cases; and
- 4,226 active cases.

The Productivity Commission *Report on Government Services 2009* presents a framework for measuring the performance of emergency management including equity and effectiveness measures relating to community recovery. Recovery relates to the results of services and strategies provided to support affected individuals and communities in the reconstruction of physical infrastructure and the restoration of emotional, social, economic and physical wellbeing.[560]

The Committee considers, in the interests of public accountability, DHS should ensure that future Annual Reports disclose details of the outputs/deliverables of its' Bushfire Recovery Service Delivery Unit during the second half of the 2008-09 financial year and for the 2009-10 financial year in terms of the quantity and timeliness of services provided.

Recommendation 47: **The Department of Human Services should consider including detailed information in future Annual Reports in respect to the outputs and outcomes of its Bushfire Recovery Service Delivery Unit.**

557 www.dhs.vic.gov.au/em/victorian-bushfir-case-management-service accessed 18 September 2009

558 Ms L Neville MP, Minister for Community Services, 2009-10 Budget Estimates hearing, *Community Services Transcript of evidence*, 19 May 2009, pp.8-10

559 Victorian Bushfire Reconstruction and Recovery Authority, *Six month report*, Progress Report No.2, State Government of Victoria, August 2009, p.5

560 Steering Committee for the Review of Government Service Provision, *Report on Government Services 2009*, Chapter 9 – Emergency Management, Productivity Commission, Canberra, 2009, pp.9.11-9.12

15.3.2 Emergency Services Communications

A critical element in the effectiveness of response to an emergency or disaster is the quality of emergency communications service and equipment. This was evident in the wake of the 2009 Victorian Bushfires. In Budget Paper No. 3, the Department of Justice identifies *'building the capacity of emergency services to respond to increased threats from more extreme weather events'* as a significant challenge facing it over the medium term.[561]

As stated earlier in this chapter, as part of the Government's response to the Victorian bushfires, the 2009-10 Budget provides $241 million over 5 years for Emergency Services including $167 million ($76 million TEI) over 4 years to maintain and improve emergency services communications for the public and between emergency services organisations.[562] This amount is allocated to the Department of Justice and the Department of Sustainability and Environment as shown in the following table.

Table 15.8: Budget initiatives – 2009 Victorian Bushfire Response and Recovery – Emergency communications

Initiatives ($m)	2009-10	2010-11	2011-12	2012-13	Total
Output initiatives- Department of Justice:-					
Emergency Communications Blackspots	1.8	5.6	5.7	5.9	19.0
Expansion of the Victorian Bushfire Information Line	0.2	0.1	0.1	5.9	0.4
Project 000 Response	31.3	25.4	23.2	18.9	98.8
Total output initiatives	**33.3**	**31.1**	**29.0**	**30.7**	**118.2**
Asset initiatives - Department of Justice:-					
Emergency Communications Blackspots	1.3	-	-	-	1.3
Project 000 Response	7.7	6.7	-	-	14.4
Total asset initiatives	**9.0**	**6.7**	**-**	**-**	**15.7**
Budget Initiatives - Justice	**42.3**	**37.8**	**29.0**	**30.7**	**133.9**
Output initiatives - Department of Sustainability and Environment:-					
Project 000 response	0.2	0.9	0.8	0.8	2.7
Total output initiatives	**0.2**	**0.9**	**0.8**	**0.8**	**2.7**
Asset initiatives - Department of Sustainability and Environment:-					
Project 000	3.0	15.0	12.5	-	30.5
Total asset initiatives	**3.0**	**15.0**	**12.5**	**-**	**30.5**
Budget initiatives - DSE	**3.2**	**15.9**	**13.3**	**0.8**	**33.2**
Total Budget Initiatives					**167.1**

Source: Department of Treasury and Finance, Budget Paper No. 3, 2009-10 Service Delivery, May 2009, pp.284-285 and pp.304-305

561 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.141

562 ibid., p.12

The Minister for Emergency Services stated at the Budget Estimates hearing that the $134 million provided to the Department of Justice in the 2009-10 Budget would be used to implement improved call taking and dispatch, improvements in operational voice communications and improvements in pager systems. The Minister advised the Committee that $440 million had been provided for emergency services communications since the endorsement in 2001 of the State-wide Integrated Public Safety Communications Strategy (SIPSaCS).[563] In Victoria, emergency services call taking and dispatch is managed by the Emergency Services Telecommunications Authority (ESTA). Under the *'Project 000 Response'* initiative included in the 2009-10 Budget, ESTA will receive $56.2 million to improve its capacity to manage calls and dispatch units. [564]

In addition, $57.1 million has been provided to the Victorian State Emergency Service and the Country Fire Authority for the purchase of new radios and upgrade radio and pager networks and $33.2 million for the upgrade of pagers and radios for fire fighters in the Department of Sustainability and Environment.[565]

15.4 Road Safety

15.4.1 Introduction

Every year, many Victorians die in road accidents, are injured as a result of a road accident, or suffer from the extended trauma caused by road accidents. In fact statistics show that Victorians are more likely to *'die violently as the result of a road crash than from any other cause.'* [566]

Reducing the number of Victorians who die, or are seriously injured, on Victorian roads each year results in significant social and financial benefits to the community. One of the measures detailed in the Government's Growing Victoria Together (GVT) vision which relates to the Caring Communities goal of '*Building friendly confident and safe communities*', is that '*Annual deaths and serious injuries from road crashes will be reduced by 20 per cent over the period 2002 to 2007.'*

Road fatalities and injuries

Appendix B of Budget Paper No. 3 contains a progress report in respect to the goals contained in the Government's GVT vision. It reports that the annual road toll fell by 25 per cent between 2002 (444 fatalities) and 2007 (332 fatalities). In 2008, the road toll was 303 (166 deaths in metropolitan Melbourne and 137 deaths in regional Victoria).[567] This represented a decrease of 8.7 per cent on the figure for 2007. With respect to serious injuries (i.e. an injury requiring hospital admission for at least one night), Transport Accident Commission statistics record 6,504 serious injuries in 2008 compared with 7,904 in 2007 (a decrease of 18 per cent). [568]

563 Mr. B Cameron MP, Minister for Police and Emergency Services, 2009-10 Budget Estimates hearing, Police and Emergency Services transcript of evidence, 14 May 2009, slide presentation

564 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.291; www.premier.vic.gov.au *Premier takes action on Royal Commission Report*, 31 August 2009

565 ibid.

566 www.arrivealive.vic.gov.au/strategy/victorias_road_safety_strategy.html *Victoria's Road Safety Strategy*, accessed 16 September 2009

567 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.423

568 www.tac.vic.gov.au/jsp/statistics/seriousinjuriesannual accessed 24 September 2009

The following table shows the annual road toll for the five year period 2004 to 2008 and the average road toll over this period. [569]

Table 15.9: Annual road toll 2004 to 2008

Year	2004	2005	2006	2007	2008	5 year average
Number of fatalities	343	346	337	332	303	332

Source: Transport Accident Commission

2009-10 Budget initiatives

The 2009-10 Budget provides funding of $155 million (including $28 million TEI) over four years for a range of road safety initiatives aimed at fighting road trauma. As in excess of 30 per cent of road deaths are due to speed, $102 million plus $22 million TEI will be directed at the enforcement of speed restrictions in high speed zones in country areas and targeting of high incident crash sites.[570]

At the Budget Estimates hearing on the Police and Emergency Services Portfolio, the Minister for Police and Emergency Services presented information in relation to the $22.4 million which includes: [571]

- moving Mode Radar to be installed in 200 vehicles;
- extension of drug testing from 22,000 to 42,000 per year;
- 53 hand held laser speed and 87 mobile radar speed measuring devices; and
- 1,500 screening breath testing units and 270 evidentiary breath testing units.

The Committee requested further detail from the Minister in regard to road safety output and asset initiatives for 2009-10 and over the forward estimates period. The following Table shows the details provided. [572]

569 www.tac.vic.gov.au/jsp/statistics/roadtollannual accessed 24 September 2009

570 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.33

571 Mr B Cameron, Minister for Police and Emergency Services, Budget Estimates hearing slide presentation and transcript of evidence, 14 May 2009, p.23

572 Mr B Cameron, Minister for Police and Emergency Services, *Budget Estimates for 2009-10. Further Information – Police and Emergency Services Portfolio, Corrections Portfolio*, letter received 24 June 2009

Table 15.10: Police and Emergency Services – Road Safety Initiatives 2009-10 to 2012-13 ($m)

Initiative	2009-10	2010-11	2011-12	2012-13	Total
Extension of moving mode radar technology					
- Output	0.82	0.31	0.32	0.33	**1.78**
- Asset	-	-	-	-	**-**
Renewal of speed measuring devices					
- Output	0.13	0.22	0.31	0.32	**0.98**
- Asset	0.81	-	-	-	**0.81**
Increase in drug driving tests					
- Output	1.66	2.21	2.79	2.86	**9.52**
- Asset	0.25	-	-	-	**0.25**
Renewal of breathalyser equipment					
- Output	-	-	-	-	**-**
- Asset	1.65	1.65	1.64	-	**4.94**
Extension of vehicle impoundment scheme					
- Output	0.76	2.82	3.16	3.21	**9.95**
- Asset	-	-	-	-	**-**
Continuation of investigation of major collisions					
- Output	-	-	-	-	**-**
- Asset	0.15	-	-	-	**0.15**
Extension of mobile safety cameras					
- Output	13.39	14.12	14.85	15.24	**57.61**
- Asset	-	-	-	-	**-**
Upgrade of 53 intersection safety cameras					
- Output	4.19	13.81	14.18	14.50	**46.68**
- Asset	22.08	-	-	-	**22.08**
Total					
- Output	**20.95**	**33.49**	**35.62**	**36.46**	**126.52**
- Asset	**24.94**	**1.65**	**1.64**	**-**	**28.23**

Note: Figures have been rounded up to two decimal places.

Source: Police and Emergency Services, Department of Justice

15.4.2 Government's road safety strategy - Arrive Alive 2

Arrive Alive 2008-2017 (*Arrive Alive 2*) is the Government's new 10-year road safety strategy. Under the Strategy road safety is treated as a shared responsibility between the Government, vehicle manufacturers and all road users.

The *Arrive Alive 2* Strategy involves a number of government agency road safety partners, namely Victoria Police, Vic Roads, the Transport Accident Commission (TAC) and the Department of Justice, working collaboratively on implementation of actions under the Strategy.

The Strategy formally incorporates the Safe System approach to road safety. This approach encompasses three critical components:[573]

- Safer roads and roadsides – improving the safety of road infrastructure can reduce the risk of Victorians being killed or injured as a result of common types of road accidents;
- Safer vehicles – increasing the number of vehicles with high standard safety features on Victoria's roads will substantially reduce risks for all road users; and
- Safer road users – compliance of road users with traffic safety requirements will assist in reducing the road death toll and serious injuries on Victoria's roads.

573 www.arrivealive.vic.gov.au/strategy/victorias_road_safety_strategy.html accessed 16 September 2009

The overall target set by the Government under *Arrive Alive 2* is to reduce deaths and serious injuries by 30 per cent by 2017. In achieving this target, the Strategy aims to:[574]

- Save an additional 100 lives per year;
- Prevent over 2,000 injuries per year; and
- Reduce the severity of serious injuries.

The First Action Plan 2008-10

It is intended that *Arrive Alive 2* will be implemented via three action plans developed and implemented over the 10 year life of the Strategy to ensure that it remains relevant and effective. The *First Action Plan 2008-10* was developed in consultation with the community and will be implemented by road users, State Government agencies, local councils, Roadsafe Community Road Councils, professional organisations and community groups.[575] The Plan outlines major new initiatives in the following five key areas:[576]

- **Road improvements:** Investment of $650 million over 10 years to improve provide road and roadside improvements targeted at reducing the major types of crashes. This includes an expanded '*Greyspot*' program which is a proactive safety program targeting outer metropolitan and rural intersections and others identified as a concern by the community.
- **Safer vehicles:** new campaigns will be introduced encouraging Victorian motorists to take up vehicles with increased safety features. Research suggests that road trauma could immediately drop by one third if all Victorian motorists upgraded their vehicles to the safest available in their class. The Government will also play a lead role by committing to purchase safer vehicles and working with industry on the accelerated introduction of safety features in new vehicles.
- **Drug driving:** The Strategy recognises that driving under the influence of illicit drugs is an increasing problem. Figures indicate that in 2005, illicit drugs were found to be a causal factor in more crash fatalities than alcohol. New education programs will target this issue together with increased enforcement efforts.
- **Young drivers:** Whilst drivers aged 18 to 25 years comprise 13 per cent of all licensed drivers in Victoria, they account for 27 per cent of all driver fatalities. The *First Action Plan* introduces a new graduated licensing system which will comprise a two stage probationary licence before the driver is eligible for a full licence and include peer passenger restrictions for first year drivers. Also the National Novice Driver Program will be trialled in Victoria to improve the safety of young drivers.
- **Strategic enforcement:** A number of new intelligence based enforcement measures will be adopted in respect to those drivers who partake in anti-social behaviour such as speeding and drink and drug driving on Victoria's roads.

574 ibid.

575 www.arrivealive.vic.gov.au/strategy/victorias_road_safety_strategy.html *First Action Plan 2008-10*, accessed 16 September 2009

576 ibid.

15.4.3 Road safety performance measurement

Budget papers

As states earlier, the $155 million funding package provided in the 2009-10 Budget over 4 years for road safety initiatives has been allocated to the Department of Justice, Police and Emergency Services portfolio.

Performance measures relating to road safety are included in Budget Paper No. 3 within, the Department of Justice, Policing Services outputs which include promoting safer road user behaviour and enforcing road safety laws[577] and, the Department of Transport, Road Safety and Regulation which incorporates the 'Safe System' approach to road safety.[578] The performance measures reported are presented in the following table.

Table 15.11: Performance measures in 2009-10 Budget Papers relating to road safety

Department of Justice – Policing Services
Measures relating to Quantity:- none reported
Measures relating to Quality:- • Proportion of drivers tested who comply with alcohol limits (%) • Proportion of drivers tested who comply with posted speed limits (%) • Proportion of drivers tested who return a clear result for prohibited drugs (%)
Measures relating to Timeliness:- none reported
Department of Transport – Road Safety & Regulation
Measures relating to Quantity:- • Road safety projects/initiatives completed: safe roads safe road users safe vehicles
Measures relating to Quality:- • Projects completed within agreed scope and standards
Measures relating to Timeliness:- • Programmed works completed within agreed timeframes

Source: Department of Treasury and Finance, Victorian Budget, 2009-10, Budget Paper No. 3, p.144 and p.229

577 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.144

578 ibid, p.229

A review of performance measures reported in relation to service delivery in previous budgets (from 2006-07 to 2008-09) indicated that in the 2006-07 Budget Paper No. 3, the Department of Justice presented performance measures directly related to contribution of Victoria Police to the Government's former road safety initiative *Arrive Alive!* (announced in 2002). The performance measures reported then were:

- Number of alcohol screening tests conducted;
- Number of incidents/collisions investigated;
- Number of vehicles assessed as part of mobile speed camera operations;
- Number of drug screening tests conducted;
- Percentage of alcohol screening tests conducted in 'high alcohol times' (as defined by the TAC. Casualty crashes are 10 times more likely to occur during these times.);
- Percentage of drivers who comply with blood alcohol limits (This measure replaced the 2005-06 measure, 'Percentage of drivers who fail random breath tests'.); and
- Percentage of vehicles assessed that comply with posted speed limits.

The Committee considers that performance measures similar to those published in the 2005-06 Budget Paper No. 3 would be useful to assess the performance of the Department of Justice in applying the additional funding for road safety initiatives provided in the 2009-10 Budget and for assessing the results of actions taken by Victoria Police in implementing *Arrive Alive 2*.

In addition, measures evaluating the success or effectiveness of community awareness and education campaigns and activities undertaken by the Victoria Police would also be useful performance measures of the Government's road safety initiatives.

Recommendation 48: **The Department of Justice develop relevant and appropriate performance measures to assess the achievements of its road safety initiatives in 2009-10 and over the forward estimates period.**

Reporting the achievements of the road safety initiatives

The Committee acknowledges the achievements of the Government's previous road safety initiatives and the efforts of Victoria Police, the TAC and Vic Roads in reducing the State's road toll and increasing community awareness of safe driving practices and the risks surrounding speed and driving under the influence of alcohol and illicit drugs.

The Committee looks forward to further road safety achievements in 2009-10 and into the forward estimates period resulting from the additional funding of $155 million provided to the Department of Justice in the 2009-10 Budget and actions detailed in the *First Action Plan 2008-10* of the *Arrive Alive 2* Strategy.

With respect to reporting on the achievements and outcomes of *Arrive Alive 2*, the Committee acknowledges that the *First Action Plan 2008-10* presents a comprehensive list of road safety actions to be implemented over the period. However it was noted that the Plan needs to be complemented with an evaluation strategy to assist in the development of the next two action plans under the *Arrive Alive 2* Strategy. The Committee considers that the Road Safety Executive Group should consider developing a framework for reporting the achievements of the Action Plan against performance measures and targets to assess the success of the implementation of actions detailed in the Plan.

Recommendation 49: **The Road Safety Executive Group give consideration to the development of an evaluation strategy and the inclusion of outcome measures and targets in future action plans under the Government's Arrive Alive 2 Road Safety Strategy.**

Recommendation 50: **The Road Safety Executive Group determine a process for publicly reporting the results and outcomes following completion of each of the three year action plans under the Government's Arrive Alive 2 Road Safety Strategy.**

CHAPTER 16: VIBRANT DEMOCRACY

Key findings of the Committee:

16.1 **The 2009-10 Budget plans on delivering an operating surplus for 2009-10 of $165.1 million, exceeding the Government's revised short-term target for an operating surplus of at least $100 million in each year.**

16.2 **In revising the former target for an operating surplus of at least 1 per cent of revenue to be achieved, the Government's intention was to ensure that the target remains relevant in the current fiscal and economic environment.**

16.3 **The budget predicts:**

- **a significant reduction of $216.7 million or 56.8 per cent in the budgeted operating surplus to be delivered in 2009-10 compared to the 2008-09 Budget Update forecast; and**
- **in terms of the forward estimates, an increase of $30.2 million or 18.3 per cent in the budgeted operating surplus in 2010-11 compared to 2009-10 and substantial incremental increases of $95.0 million (or 48.6 per cent) and $271.8 million (or 93.6 per cent) respectively in the subsequent out years (2011-12 compared to 2010-11 and 2012-13 compared to 2011-12).**

16.4 **In comparing the budget results for 2009-10 between the states and territories and the Commonwealth, Victoria was one of only three jurisdictions (the others comprising Western Australia and the Northern Territory) to budget for a positive net operating balance (total revenue less total expenses) in 2009-10.**

16.5 **According to the Budget Papers, better asset utilisation is being achieved through the Government's Shared Facility Partnerships guide to good governance for schools and the community, and a series of initiatives under the Efficient Government Policy are keeping the Government's corporate services cost efficient.**

16.6 **In terms of the $1.8 billion in aggregate savings expected to be achieved between 2007-08 and 2012-13, the Government expects that the estimated efficiencies totalling $388 million to be realised in 2009-10 (which includes revenue to be received from outer budget agencies and excludes implementation costs in relation to the efficiency initiatives contained in the 2007-08 budget) will comprise:**

- **$125 million under the auspice of the Efficient Government Policy; and**
- **$263 million in terms of other/general efficiencies.**

16.7 **Savings measures adopted by departments concentrated to a large extent on administrative or support functions of a discretionary nature, with a clear message that any impact on service delivery to the community would be avoided or minimised.**

16.8 **The concept adopted by the Department of Human Services of promoting a culture of efficiency through the development of a specific strategy is supported by the Committee, as is the creation of a dedicated Savings Implementation Committee by the Department of Justice to manage budget savings requirements across the department.**

16.9 The 2009-10 Budget earmarks that $86.5 million in general efficiencies is to be achieved by departments in 2009-10 ($665 million over four years to 2012-13), which is a significant figure when compared to the Government's estimated operating surplus of $165 million for 2009-10. Without the generation of these savings, the Committee observed that the estimated surplus would be considerably lower.

16.10 The Committee noted that the Government expects to achieve a large incremental increase in general efficiency savings in 2010-11 compared to 2009-10 (an increase of $57.7 million or 66.7 per cent) and in 2011-12 over 2010-11 (an increase of $72.4 million or 50.2 per cent) before steading in 2012-13.

16.11 Departments are required to generate efficiency savings in the order of $357.6 million in 2009-10 according to the 2007-08, 2008-09 and 2009-10 Budget Papers and information provided by departments. Savings pursuant to the Efficient Government Policy comprise $104.7 million or 29.3 per cent of this amount.

16.12 In line with the Government's savings directions for 2009-10, half of the efficiency savings targets are to be met by the Department of Education and Early Childhood Development ($52.4 million), the Department of Human Services ($78.3 million) and the Department of Justice ($51.1 million).

16.13 Departments should be requested to outline, during the budget development process, their respective plans of where they see potential exists for efficiency savings to be achieved over ensuing four year period. This information should be presented in broad terms in the Budget Papers to further explain general efficiencies.

16.14 The Committee believes that commentary in annual reports on areas reviewed to achieve efficiencies of a general nature could assist in information sharing and consistency among departments about potential areas to be considered for achieving future savings.

16.1 Introduction

In its analysis of the budget estimates, the Committee asked a total of 83 questions pertaining to the Vibrant Democracy vision of the *Growing Victoria Together* initiative. This represented 17.3 per cent of all questions asked in the Budget Estimates hearings.

Given that the ability of the Government to attract people, promote investment, create new jobs, provide better services and protect the environment depends on a strong and secure financial base, the Committee was interested in examining:

- the budget position planned for Victoria compared to other jurisdictions; and
- the planned efficiency savings and related initiatives to be pursued by departments in 2009-10 and over the forward estimates.

16.2 Analysis of Surpluses and Deficits

16.2.1 Background

Chapter 2 of this report, which discusses key aspects of the 2009-10 Budget, provides comments relating to the target and projected budget surplus for 2009-10 as well as coverage of revenue and expense projections contained in the budget.

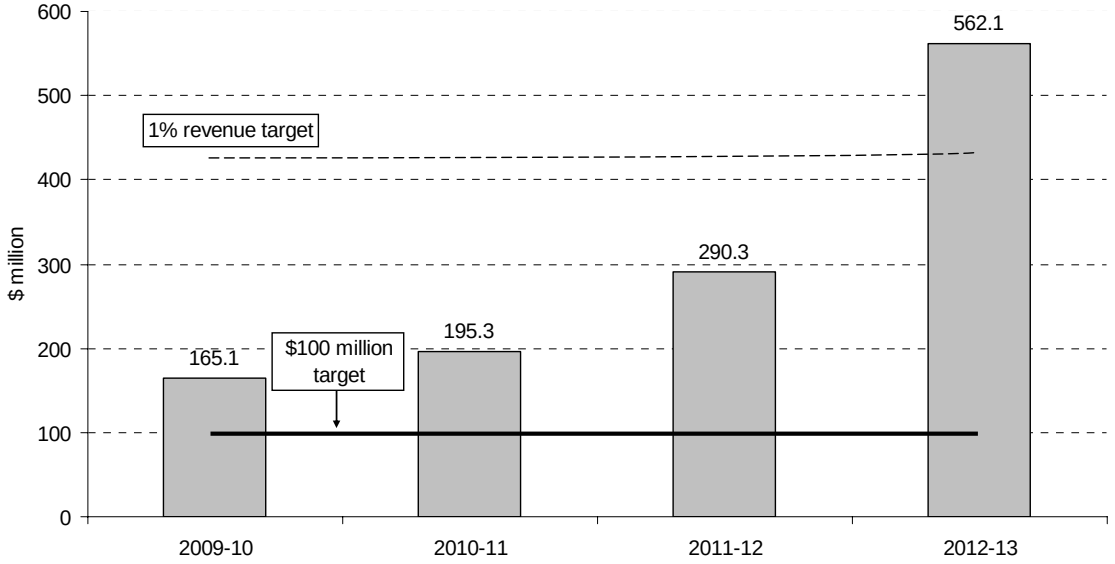
Figure 16.1 shows the estimated net operating balance (budgeted operating surplus) for 2009-10 and over the forward estimates to 2012-13. As shown in the table, the budget plans on delivering an operating surplus for 2009-10 of $165.1 million which exceeds the Government's revised short-term target for an operating surplus of at least $100 million in each year.[579] In revising the former target for an operating surplus of at least 1 per cent of revenue to be achieved, the Government's intention was to ensure that the target remains relevant in the current fiscal and economic environment.[580]

The Committee also noted that the Government has budgeted for:

- a significant reduction of $216.7 million or 56.8 per cent in the budgeted operating surplus to be delivered in 2009-10 compared to the *2008-09 Budget Update* forecast;
- an increase in the budgeted operating surplus to be delivered in 2010-11 compared to 2009-10 (an increase of $30.2 million or 18.3 per cent); and
- substantial incremental increases in the budgeted operating surpluses in 2011-12 compared to 2010-11 (an increase of $95.0 million or 48.6 per cent) and in 2012-13 compared to 2011-12 (an increase of $271.8 million or 93.6 per cent).

579 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.8
580 ibid., p.8

Figure 16.1: Estimated net operating balance 2009-10 to 2012-13



Source: Mr J Lenders MLC, Treasurer, 2009-10 Budget Estimates hearing, 12 May 2009, presentation slide 15

16.2.2 2009-10 Budget results for Victoria compared to other jurisdictions

Table 16.1 shows a comparison of budget results for 2009-10 between the states and territories and the Commonwealth, together with a summary of the key strategies to be implemented to improve the budget position of those jurisdictions. As can be seen from the information contained in Table 16.2, Victoria was one of only three jurisdictions (the others comprising Western Australia and the Northern Territory) to budget for a positive net operating balance (total revenue less total expenses) in 2009-10.

Table 16.1: Budget positions – estimated operating results Australia and states and territories – 2009-10 to 2012-13

Jurisdiction	2009-10 Budget Net operating result ($ million)	2010-11 estimate Net operating result ($ million)	2011-12 estimate Net operating result ($ million)	2012-13 estimate Net operating result ($ million)	Key strategies designed to improve the fiscal position
Victoria	165.1	195.3	290.3	562.1	According to the 2009-10 Budget, growth in revenue and expenses is similar in 2009-10 and 2010-11, but expenditure grows more slowly than revenue during the later forward estimates years. This widening gap between revenue and expenditure growth from 2011-12 reflects a rebuilding of the taxation base as economic conditions improve as well as the Government's commitment to prudent management of operating expenditure. The 2009-10 Budget requires that general efficiency savings in the order of $86.5 million are to be made in 2009-10 ($665.0 million between 2009-10 and 2012-13). The Government has reduced ongoing Enterprise Bargaining Agreement (EBA) wage increases. After the first week in May 2009, a new wages model would be based on restricting increases to 2.5 per cent rather than 3.25 per cent, thereby resulting in a reduction in wage outcomes. The indexation of non-wage costs going forward has been reduced, reflecting a reduction in inflation across the economy.
New South Wales	-990	-116	86	642	The budget incorporates a five point *Better Services and Value Plan* to improve service delivery and contain the growth in expenses. The Plan: • maintains the Government's wages policy and extends the public sector staffing freeze; • amalgamates 160 government agencies and offices into 13; • establishes a Better Services and Value Taskforce to oversee a series of strategic value-for-money reviews of whole-of-government expenditures; • calls for line-by-line audits of agency activities; and • requires performance reviews to be undertaken of state owned corporations. The Plan will significantly enhance agency service delivery and allow agency efficiency dividends to be extended to 2011-12 and 2012-13.

Jurisdiction	2009-10 Budget Net operating result ($ million)	2010-11 estimate Net operating result ($ million)	2011-12 estimate Net operating result ($ million)	2012-13 estimate Net operating result ($ million)	Key strategies designed to improve the fiscal position
Queensland	-1,954	-3,459	-4,090	-3,290	Key initiatives in the 2009-10 Budget include: • abolition of the Queensland Fuel Subsidy Scheme; • further public sector efficiency measures which leverage off savings from the recent machinery of government changes; • reform to local government grants and subsidy programs; • revision to the Government's wages policy; • changes to procurement policy; and • a comprehensive program of asset sales. Measures that have been announced since the 2008-09 budget include: • Government-owned corporation reform; • closure of the defined benefits scheme; and • taxation measures announced in December 2008.
South Australia	-304	78	96	304	According to 2009-10 Budget, new savings of $831 million, along with a return to positive GST and taxation revenue growth post 2009-10, support the Government's capital program and deliver the budget back into operating surplus over the four years to 2012-13. New savings will not be sought in 2009-10 in recognition of forecast negative economic growth in that year. To identify measures to improve the budget position, the Government will establish a Sustainable Budget Commission, which will make its initial recommendations to the Government for the 2010-11 Budget. To meet a proportion of the savings task, the Government will seek to limit future wage outcomes to 2.5 per cent per year across the public sector, saving the Government up to $290 million by 2012-13.

Jurisdiction	2009-10 Budget Net operating result ($ million)	2010-11 estimate Net operating result ($ million)	2011-12 estimate Net operating result ($ million)	2012-13 estimate Net operating result ($ million)	Key strategies designed to improve the fiscal position
Western Australia	409	23	-513	-458	The 2009-10 Budget Papers reveal a range of corrective measures to protect the State's finances. The Committee noted that the first stage of an Economic Audit established in October 2008 has identified a range of reform initiatives that will generate savings of $1.1 billion over the next four years. These include, among other things, increased user pays where people have a choice as to what services are used, phasing out of lower priority activities and introducing a ceiling on Full-Time Equivalent staffing levels. Since the 2008-09 mid-year review in December, projected revenue from State taxes, GST grants from the Commonwealth and mining royalties has fallen by $4 billion over the forward estimates to 2011-12. The budget indicates that, while deficits are currently projected in the last two years of the forward estimates period (2011-12 and 2012-13), in the current environment there is considerable uncertainty in projecting this far into the future. The Government's objective is to ensure the budget remains in surplus and there is ample time for the Government to take further action, should it be necessary, to ensure this outcome.
Tasmania	-117	-87	-24	74	Budget savings of $760 million over four years are forecast in the 2009-10 Budget. Strategies include: • employment management strategies, that include vacancy control, early retirement and targeted voluntary redundancies; • a new wages policy with salary increases no greater than 1 per cent per annum in 2009-10 and 2010-11; and 2.5 per cent in 2011-12 and 2012-13; • a freeze on Parliamentary and executive salaries for one year; and • a reduction in the Resource Allowance for Members of Parliament. An Interim Fiscal Strategy establishes a set of targets, the progressive achievement of which will return the Budget to a sustainable position.
Northern Territory	215	116	122	79	Growth in general government operating expenses to be less than the growth in revenue, excluding tied Commonwealth revenue, over the economic cycle thereby achieving a sufficient operating balance to fund general government capital spending.

Jurisdiction	2009-10 Budget Net operating result ($ million)	2010-11 estimate Net operating result ($ million)	2011-12 estimate Net operating result ($ million)	2012-13 estimate Net operating result ($ million)	Key strategies designed to improve the fiscal position
Australian Capital Territory	-82.2	-112.4	-164.9	-152.2	The Government has adopted a longer term approach to dealing with the effects of global events on the budget. Services in priority areas have not only been maintained, but supplemented where necessary to meet the needs of the community and respond to growth in demand. New policy initiatives are largely being offset through reprioritisation, wage restraint and efficiency dividends.
Australia	-47,601	-49,687	-35,612	-25,306	The Government's strategy to return the budget to surplus as the economy recovers is to be achieved by banking increases in tax revenue naturally associated with the economic recovery, and by limiting real growth in spending to 2 per cent a year until the budget returns to surplus. The Government's fiscal strategy is currently expected to halve the budget deficit by 2012-13 and return the budget to surplus by 2015-16. As part of this strategy, the Government has fully offset spending proposals in the final year of the forward estimates period. The Government has found savings of $22.6 billion over four years.

Sources: Compiled by the Committee from information contained in Budget Papers of the various jurisdictions within Australia

16.3 Efficiencies

16.3.1 Background

The policy for an '*Efficient Government*', announced as part of the Government's 2006 election commitments, has been a topic of continuing interest to the Committee since the 2007-08 Budget disclosed a series of measures to implement this commitment, including the *Buying Smarter, Buying Less* strategy.[581]

In implementing the commitment for an efficient government, subsequent budgets have indicated that:

- a growing and ageing population placing increasing demands on public services require assessments to be constantly made on how to better use public funds to deliver more frontline services to the community;[582]
- the current fiscally-constrained environment makes it important for the public sector to improve the efficiency of its own operations in order to protect jobs and maintain key government services for a growing and ageing population;[583] and
- linked to efficiency improvement, productivity growth is encouraged through skills reform, infrastructure initiatives and reducing the regulatory burden on businesses in order to prepare for the upturn and address the longer-term challenges emerging from the ageing population.[584]

With a view to improving the efficiency of the Government's own operations, the 2009-10 Budget outlines a number of contemporary initiatives that are underway. For example, the Budget Papers disclose that better asset utilisation is being achieved through the Government's *Shared Facility Partnerships* guide to good governance for schools and the community.[585] A report by the Victorian Competition and Efficiency Commission into the sharing of government and community facilities in Victoria was submitted to the Treasurer on 14 September 2009.[586]

The Committee also noted that according to the Government, a series of *Efficient Government* initiatives are keeping its corporate services cost efficient. These include:[587]

- creating a new shared library service;
- establishing a shared facilities management service for Victorian Government accommodation;
- consolidating Victorian Government car pools; and
- standardising core information and communication technology services across government.

581 Department of Treasury and Finance, Budget Paper No. 3, *2007-08 Service Delivery*, pp.35, 344
582 ibid.
583 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.71
584 ibid.
585 ibid., p.78
586 VCEC (website), accessed 22 September 2009, http://vcec.vic.gov.au
587 Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.79

Output efficiency targets that have been set in the budgets for 2007-08, 2008-09 and 2009-10 are presented in Chapter 2 of this report, both in aggregate terms as well as highlighting the 2009-10 component. Of the $1.8 billion in aggregate savings expected to be achieved between 2007-08 and 2012-13, the Government expects that the estimated efficiencies totalling $388 million to be realised in 2009-10 will comprise:[588]

- $125 million under the auspice of the Efficient Government Policy; and
- $263 million in terms of other/general efficiencies.

It is important to note that the aggregate information drawn from Chapter 2 of this report differs from the efficiency savings shown for individual departments referred to in this chapter because the aggregate efficiency savings includes revenue to be received from outer budget agencies and excludes implementation costs.[589]

On what basis have decisions regarding applicable savings measures been made by departments?

Information provided by departments about decision-making approaches surrounding departmental savings programs and impact on direct service delivery revealed that:

- decisions in the Department of Education and Early Childhood Development about general efficiencies and savings measures are taken by the departmental Management Committee on advice from the Resources Committee as part of the development of the internal budget;[590]
- to minimise the level of savings passed on to critical services to people in need of health, housing and other community services, savings are generally applied by the Department of Human Services to areas of corporate and program support functions. While nine major improvement projects were delivered in 2008, a further 10 projects are planned for 2009, which will focus on areas of operational administration within head office and regions. In some instances, however, savings may be passed on to direct service provision through minor reductions in price in order to promote service efficiencies. The department's *Doing Business Better* strategy seeks to develop a culture of efficiency through:
  - the development of people and capability to solve problems;
  - giving people the authority and responsibility to control their own work; and
  - continuously improving the value delivered to clients by eliminating waste and duplication, simplifying processes and improving quality and productivity;[591]

588 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates*, May 2007, Chapter 2, Table 5

589 Department of Treasury and Finance, Budget Paper No. 3, *2007-08 Service Delivery*, p.344 Table A.25 Efficiency Initiatives Note (a)

590 Department of Education and Early Childhood Development, response to the Committee's 2009-10 Budget Estimates questionnaire, received May 2009, p.20

591 Department of Human Services, response to the Committee's 2009-10 Budget Estimates questionnaire, received 8 May 2009, p.12

- the Department of Justice has adopted a number of strategies targeted at reducing head office and corporate expenditure to maintain the current level of program services. A Savings Implementation Committee has been established to manage budget savings requirements across the Department (excluding Victoria Police). The Department is considering its workforce/recruitment strategies and accommodation needs in the light of the policy decision to limit staffing growth in the Central Business District. At Victoria Police, efficiency savings for 2009-10, expected to be in the order of $7.5 million, are to be achieved through corporate rationalisation;[592]
- at the Department of Planning and Community Development, in allocating savings to administrative areas covering all areas of the department, the use of shared services or consolidations are to be used to achieve savings with an emphasis on minimising any impact on service delivery to the community;[593]
- the disaggregation of savings across the Department of Premier and Cabinet has considered fixed and variable costs, past trends, budget capacity and expenditure required to achieve the Department's required outcomes. Service delivery and program delivery requirements are to be maintained despite the imposition of these savings;[594]
- as advised by the Department of Primary Industries, efficiencies were detected by reducing investment in low priority areas in line with government priorities. Reductions are specifically targeted to not significantly impact the department's priorities and Strategic Plan;[595]
- in most cases, savings are applied across the Department of Sustainability and Environment and its portfolio entities on a pro-rata basis on their discretionary expenditure base;[596]
- in relation to the Department of Transport, as a large proportion of the Department's budget is committed to contractual public transport payments, high priority services and essential transport infrastructure projects, these areas are protected from savings measures. Exceptions to this are where efficiencies can be achieved through system, procurement and productivity improvements. In this regard, savings are generally targeted to areas of discretionary activity that will not impact on service and project delivery;[597] and
- in using its internal budgeting and reporting processes to estimate the savings targets, the Department of Treasury and Finance does not expect the efficiency to impact on programs or outputs to be delivered. [598]

592 Department of Justice, response to the Committee's 2009-10 Budget Estimates questionnaire, received May 2009, pp.17-18

593 Department of Planning and Community Development, response to the Committee's 2009-10 Budget Estimates questionnaire, received May 2009, p.13

594 Department of Premier and Cabinet, response to the Committee's 2009-10 Budget Estimates questionnaire, received 11 May 2009, p.6

595 Department of Primary Industries, response to the Committee's 2009-10 Budget Estimates questionnaire, received 14 May 2009, p.10

596 Department of Sustainability and Environment, response to the Committee's 2009-10 Budget Estimates questionnaire, received 4 May 2009, p.12

597 Department of Transport, response to the Committee's 2009-10 Budget Estimates questionnaire, received May 2009, p.11

598 Department of Treasury and Finance, response to the Committee's 2009-10 Budget Estimates questionnaire, received 14 May 2009, p.14

In addition, the Committee was interested to see that in relation to the Department of Premier and Cabinet, strengthening organisational capability and efficiencies was one of the key budget themes identified as underpinning the development of the Department's budget.[599]

The Committee noted that savings measures adopted by departments concentrated to a large extent on administrative or support functions of a discretionary nature with a clear message that any impact on service delivery to the community would be avoided or minimised. The concept adopted by the Department of Human Services of promoting a culture of efficiency through the development of a specific strategy is supported by the Committee as is the creation of a dedicated Savings Implementation Committee by the Department of Justice to manage budget savings requirements across the department.

The Committee acknowledges that the Victorian budget forecasts an operating surplus of $165.1 million in 2009-10 and an average surplus of $349.2 million over the forward estimates period to 2012-13 (rising to $562.1 million in 2012-13).[600] The Committee also notes that the budget calls for a substantial incremental rise in general efficiency savings to be made by departments over the forward estimates period compared to the 2009-10 Budget year ($86.5 million in 2009-10, rising to $144.2 million in 2010-11and $216.6 million in 2011-12 before levelling off at $217.7 million in 2012-13)[601].

Recommendation 51: **Given the magnitude of the budget surpluses and efficiency savings expected to be achieved in the 2009-10 Budget year and over the forward estimates, departments consider in their business plans the need to deliver savings targets by, among other things:**

(a) promoting a culture of efficiency throughout their organisations and in the way budgets are developed and managed;

(b) demonstrating a clear commitment to improving cost control and productivity; and

(c) examining the efficacy of establishing a dedicated committee to manage the implementation of the efficiency enhancing reforms.

599 Department of Premier and Cabinet, response to the Committee's 2009-10 Budget Estimates questionnaire, received 11 May 2009, p.1

600 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, May 2009, p.270

601 Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.368

16.3.2 Breakdown of efficiencies to be achieved in 2009-10 by departments

(a) General efficiency targets announced in the 2009-10 Budget – breakdown of targeted savings per department

The 2009-10 Budget earmarks that $86.5 million in general efficiencies is to be achieved by departments in 2009-10 ($665 million over four years to 2012-13), which is a significant figure when compared to the Government's estimated operating surplus of $165 million for 2009-10. Without the generation of these savings, the Committee observed that the estimated surplus would be considerably lower. The 2009-10 Budget Papers also show that drought savings targets totalling $50 million were allocated to departments in 2008-09.[602] Table 16.2 provides a breakdown of new efficiency initiatives on a departmental basis for the 2009-10 Budget year and over the forward estimates to 2012-13. The Committee noted that the Government expects to achieve a large incremental increase in general efficiency savings in 2010-11 compared to 2009-10 (an increase of $57.7 million or 66.7 per cent) and in 2011-12 over 2010-11 (an increase of $72.4 million or 50.2 per cent) before steadying in 2012-13.

Table 16.2: General efficiency targets announced in the 2009-10 Budget per department

Department	2009-10 ($ million)	2010-11 ($ million)	2011-12 ($ million)	2012-13 ($ million)	Total ($ million)
Education and Early Childhood Development	9.5	28.7	62.6	63.7	**164.5**
Human Services	23.0	34.5	46.0	46.0	**149.5**
Innovation, Industry and Regional Development	6.0	9.0	12.0	12.0	**39.0**
Justice	15.0	22.5	30.0	30.0	**97.5**
Planning and Community Development	3.0	4.5	6.0	6.0	**19.5**
Premier and Cabinet	3.0	4.5	6.0	6.0	**19.5**
Primary Industries	3.0	4.5	6.0	6.0	**19.5**
Sustainability and Environment	6.0	9.0	12.0	12.0	**39.0**
Transport	15.0	22.5	30.0	30.0	**97.5**
Treasury and Finance	3.0	4.5	6.0	6.0	**19.5**
Total	**86.5**	**144.2**	**216.6**	**217.7**	**665.0**

Source: Compiled by the Committee from information in Department of Treasury and Finance Budget, Paper No. 3, 2009-10 Service Delivery, pp.307-368

Only two departments, the Department of Education and Early Childhood Development and the Department of Human Services, provided the Committee with a breakdown of the planned efficiency savings identified in the 2009-10 Budget as *'general efficiencies'*.

602 ibid.,

The Committee was advised that in order to achieve the required general efficiencies:

- the Department of Education and Early Childhood Development has reduced the non-salary indexation provided to central office, regions and schools. The Committee was also informed by the Minister for Education that any efficiencies made by the Department will not impact the employment of teachers by schools;[603] and
- the following areas were reviewed by the Department of Human Services to deliver the efficiency savings:[604]
  - cessation of sustenance at meetings and training;
  - realisation of benefits from video conferencing;
  - non-replacement of natural attrition of non-direct care staffing;
  - reduced use of contractors; and
  - administrative and budget processes.

At the Budget Estimates hearing with the Premier, the Committee was interested in ascertaining from the Premier whether, in relation to the general efficiencies of $86.5 million to be achieved in 2009-10, there is an expectation that the savings need to be productivity driven across departments. In this regard, the Premier advised the Committee that productivity savings are in the category of *'good housekeeping'* and the following factors translated to a lower growth in expenditure going forward:[605]

- the Government has reduced ongoing EBA wage costs and after the first week in May 2009, a new wages model would be based on restricting increases to 2.5 per cent rather than 3.25 per cent, thereby resulting in a reduction in wage outcomes; and
- the indexation of non-wage costs going forward has been reduced, reflecting a reduction in inflation across the economy

To obtain specific details of where general efficiencies amounting to $34.5 million ($25 million from last year's budget and $9.5 million from the current budget) were to be found by the Department of Education and Early Childhood Development, the Committee asked the Minister for Education at the Budget Estimates hearing to explain where the targeted general efficiency savings were going to come from during 2009-10. The Minister, in indicating that there were no specific areas being targeted other than general efficiencies, stated that:[606]

> *…we are confident that the general efficiencies that we are asking people to find can be dealt with within a department of this size and scope. We are a huge department. We have a high expenditure level because of the breadth of our responsibilities in the education system…When it comes to actually finding these departmental efficiencies, they will be at the departmental and regional level and they will not be within our schools…we will just continue to make sure that our department is functioning as efficiently as we can. We will be working with people in the various areas of the department to help them to achieve those savings…*

603 Department of Education and Early Childhood Development, response to the Committee's 2009-10 Budget Estimates questionnaire Clarification questions, received 31 August 2009, p.20

604 Hon. D Andrews MP, Minister for Health, response to additional follow up question, received 16 September 2009

605 Hon. J Brumby MP, Premier, 2009-10 Budget Estimates hearing, transcript of evidence, 11 May 2009, p.29

606 Hon. B Pike MP, Minister for Education, 2009-10 Budget Estimates hearing, transcript of evidence, 13 May 2009, p.9

The sharing of best practices employed in the savings programs of departments is seen by the Committee as an area where government administration could be improved, particularly in view of the substantial increase in general efficiency targets to take effect in 2010-11 and 2011-12.

Recommendation 52: **The Department of Treasury and Finance encourage departments to disclose in their annual reports, details about the various strategies pursued during the year to achieve the required efficiency savings of a general nature, categorised according to the various types of savings.**

(b) Efficient Government policy initiatives and other/general efficiencies – breakdown per department

In terms of efficiency targets earmarked in prior budgets that extend over 2009-10 and subsequent years, these savings targets comprise:

- $125 million and $146 million in relation to 2009-10 and 2010-11 respectively with regard to various efficiency measures under the *Efficient Government* policy announced in the 2007-08 budget;[607]
- $51.5 million and $63.6 million in relation to 2009-10 and 2010-11 respectively with regard to the first category of *'other efficiencies'* announced in the 2007-08 budget;[608] and
- $124.8 million in each year (2009-10, 2010-11 and 2011-12) in relation to a second category of 'general efficiencies' announced in the 2008-09 budget.[609]

The Committee has commented in the past that, apart from *Buying Smarter, Buying Less* measure, the Budget Papers do not provide a breakdown of the estimated savings to be achieved under each of the efficient government policy measures on a departmental basis, nor a breakdown of the *'other efficiencies'* and *'general efficiencies'* according to their various components. As such, the Committee requested that each department provide the Committee with a breakdown of all planned efficiency savings for 2009-10 according to the various measures of efficiency that apply to the department's operations as identified in the 2007-08 and 2008-09 budgets and in the new measures introduced in the 2009-10 Budget. Information provided by departments is presented in Table 16.3.

The Committee noted that departments are expected to achieve efficiency savings in the order of $357.6 million during 2009-10. Of this amount, the Committee's analysis showed that:

- in line with the Government's savings directions, the departments with the highest savings targets for 2009-10 comprised:
  - the Department of Education and Early Childhood Development: $52.4 million (14.7 per cent of total);
  - the Department of Human Services: $78.3 million ($21.9 per cent); and
  - Department of Justice: $51.1 million (14.3 per cent);

607 Department of Treasury and Finance, Budget Paper No. 3, *2007-08 Service Delivery*, May 2009, p.344
608 Department of Treasury and Finance, Budget Paper No. 3, *2007-08 Service Delivery*, May 2009, p.344
609 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates Part Three*, October 2008, p.37

- under the *Efficient Government* policy with targets totalling $104.7 million for 2009-10 (29.3 per cent of total departmental efficiency savings), the efficiency measures that attracted the highest efficiency saving targets were:
  - *Buying Smarter, Buying Less*: $65.8 million (62.8 per cent of the total *Efficient Government* policy savings initiatives); and
  - *Shared Services*: $19.6 million (18.7 per cent of total);
- with regard to the *Buying Smarter, Buying Less* efficiency measure, the majority of the savings are to be generated by the following departments during 2009-10:
  - Department of Education and Early Childhood Development: $11.5 million;
  - Department of Human Services: $11.5 million;
  - Department of Justice: $8.8 million;
  - Department of Sustainability and Environment: $8.8 million; and
  - Department of Transport: $8.8 million.
- the largest component of the savings to be achieved from the *Shared Services* efficiency measure is to be derived by the Department of Human Services ($8.5 million);
- in terms of other efficiencies contained in the 2007-08 budget that relate to 2009-10, the Department of Innovation, Industry and Regional Development is required to achieve the largest component ($15.2 million or 28.1 per cent); and
- with regard to general efficiencies contained in the 2008-09 and 2009-10 Budgets, the Department of Education and Early Childhood Development ($34.5 million or 17.4 per cent) and the Department of Human Services ($48.0 million or 24.1 per cent) are required to make the largest contributions.

Table 16.3: Breakdown of efficiency measures per department for 2009-10 [(a)]

Department	Buying Smarter, Buying Less ($ million)	Shared Services ($ million)	Grants Admin. ($ million)	Fleet Management ($ million)	Advertising and Consultancies ($ million)	Integrated ICT ($ million)	*LFS – Efficient Government Policy Subtotal* ($ million)	Other Efficiencies 2007-08 Budget/ additional ERC initiatives ($ million)	General Efficiencies 2008-09 and 2009-10 Budgets ($ million)	Total Efficiency Target ($ million)
Education and Early Childhood Development	11.5	2.1	0.1	0.1	0.2	-	*14.0*	3.9	34.5	**52.4**
Human Services	11.5	8.5	0.4	0.9	1.1	-	*22.4*	7.9	48.0	**78.3**
Innovation, Industry and Regional Development	4.0	0.4	3.2	0.03	0.8	2.1	*10.5*	15.2	14.3	**40.0**
Justice	8.8	4.2	0.2	1.6	0.4	-	*15.2*	8.4	27.5	**51.1**
Planning and Community Development	0.3	0.2	-	-	-	-	*0.5*	0.6	11.3	**12.4**
Premier and Cabinet	2.0	-	-	-	-	-	*2.0*	1.6	11.3	**14.9**
Primary Industries	6.1	1.4	0.02	0.5	0.3	-	*8.3*	2.1	11.3	**21.7**
Sustainability and Environment	8.8	1.7	2.4	0.5	0.8	-	14.2	9.1	14.3	**37.6**
Transport	8.8	0.6	0.7	0.05	0.4	-	*10.5*	2.9	15.0	**28.4**
Treasury and Finance	4.0	0.5	-	0.007	0.2	2.4	*7.1*	2.4	11.3	**20.8**
Total	**65.8**	**19.6**	**7.02**	**3.69**	**4.2**	**4.5**	***104.7***	**54.1**	**198.8**	**357.6**

Note: *(a)* *Information presented in this table on a departmental basis, and the totals for the specific efficiency initiatives, differ from the aggregate information shown in the Budget Papers for efficiency initiatives because the figures in aggregate in the Budget Papers (see Budget Paper No. 3, 2007-08 Service Delivery, Table A.25, note a) include revenue to be received from outer Budget agencies, and exclude implementation costs*

Sources: *Compiled by the Committee from information in contained in departmental responses to the 2009-10 Estimates Questionnaire, Budget Paper No. 3, 2008-09 Service Delivery and Budget Paper No. 3, 2009-10 Service Delivery*

16.3.3 Ratio of estimated efficiencies for 2009-10 to the total output cost for each department

Table 16.4 sets out a comparison of all planned efficiency savings for 2009-10 according to the *Efficient Government* policy and other targeted savings initiatives to the total output cost target for each department.

Table 16.4: Efficiency targets compared to output costs Ratio analysis per department 2009-10

Department	Total Efficiency target ($ million)	Total Output cost target ($ million)	Efficiency target/Total Output cost target Ratio
Education and Early Childhood Development	52.4	8,374.1	0.006:1
Human Services	78.3	14,723.1	0.005:1
Innovation, Industry and Regional Development	40.0	2,506.0	0.016:1
Justice	51.1	3,906.7	0.013:1
Planning and Community Development	12.4	455.7	0.027:1
Premier and Cabinet	14.9	597.3	0.025:1
Primary Industries	21.7	523.9	0.041:1
Sustainability and Environment	37.6	1,387.6	0.027:1
Transport	28.4	4,768.7	0.006:1
Treasury and Finance	20.8	296.1	0.07:1
Total	**357.6**	**37,539.2**	**0.009:1**

Sources: Compiled by the Committee from information contained in departmental responses to the 2009-10 Budget Estimates Questionnaire, Budget Paper No. 3, 2008-09 Service Delivery and Budget Paper No. 3, 2009-10, Service Delivery

16.3.4 Scope for improved presentation of planned efficiency savings in the Budget Papers

As part of the Committee's previous Budget Estimates Inquiry for 2008-09, the Committee recommended that in terms of achieving general efficiencies of an administrative nature that are expected to be derived (or any other specific efficiency initiatives announced in future budgets), the Budget Papers should disclose a breakdown by department and various components that make up such efficiencies.[610]

610 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates Part Three*, October 2008, p.62

In rejecting this recommendation, the Government stated that:[611]

> *The State Government's financial framework focuses on the delivery of outputs and outcomes rather than the day-to-day management of departmental inputs. This framework is in line with practice across the Australian public sector and based on international experience. Under this framework, departments are not required to report to the Government how agreed efficiency targets are achieved as this is an internal management concern.*

The Committee, while taking into account the above position expressed by the Government, has reached the view that departments should be requested to outline during the budget development process their respective plans of where they see potential exists for efficiency savings to be achieved over the ensuing four year period. Information might be presented in broad terms in the Budget Papers to further explain general efficiencies. A more structured approach to the presentation of planned efficiencies in the annual Budget Papers continues to be advocated by the Committee.

Recommendation 53: **The Department of Treasury and Finance expand the disclosure of planned output efficiencies in the Budget Papers by:**

(a) **identifying the broad range of areas where savings in the nature of general efficiencies are expected to be achieved across departments over the four year period; and**

(b) **providing a total of each department's expected contribution to savings targets over the four year period.**

611 Victorian Government, response to the *Recommendations of the Public Accounts and Estimates Committee's 80th Report on the 2008-09 Budget Estimates*, tabled out of session on 15 April 2009 and on 5 May 2009, p.4

APPENDIX 1: ACRONYMS AND ABBREVIATIONS

ABS	Australian Bureau of Statistics
AIHW	Australian Institute of Health and Welfare
AIM	Achievement Improvement Monitor
AV	Ambulance Victoria
APB	Adult Parole Board
BCIC	Building Confidence in Corrections
BMP	Bushfire Mitigation Program
CALD	Culturally and Linguistically Diverse
CAT	Crisis Assessment and Treatment
CAV	Consumer Affairs Victoria
CCS	Carbon Capture and Storage
CFA	County Fire Authority
COAG	Council of Australian Governments
CRC	COAG Reform Council
CPI	Consumer Price Index
CSO	Community Service Organisation
CVHP	Corrections Victoria Housing Project
DEECD	Department of Education and Early Childhood Development
DHS	Department of Human Services
DICG	Drought Interdepartmental Coordination Group
DIIRD	Department of Innovation, Industry and Regional Development
DOI	Department of Infrastructure
DOJ	Department of Justice
DOT	Department of Transport
DPC	Department of Premier and Cabinet
DPCD	Department of Planning and Community Development
DPI	Department of Primary Industries
DPS	Department of Parliamentary Services
DSE	Department of Sustainability and Environment
DTF	Department of Treasury and Finance
EBA	Enterprise Bargaining Agreement
EFT	Equivalent Full-Time
EICD	Early Intervention in Chronic Diseases
EREP	Environment and Resource Efficiency Plan
FAM	Financial Assistance Model
FMA	Financial Management Act

FRD 24C	Financial Reporting Directive 24C
FTE	Full-time Equivalent
FVPP	Family Violence Partnership Program
GDP	Gross Domestic Product
GIIF	Geelong Innovation and Industry Fund
GSP	Gross State Product
GST	Goods and Services Tax
GVT	Growing Victoria Together
HARP	Hospital Admission Risk Program
ICT	Information and Communication Technology
IGA	Intergovernmental Agreement
ISHY	Innovative Health Services for Homeless Youth
IT	Information Technology
LGA	Local Government Area
LRLS	Living Regions Living Suburbs
NAPLAN	National Assessment Program – Literacy and Numeracy
NDMP	National Disaster Mitigation Program
NFPS	Non-financial public sector
NP	National Partnership
NPA	National Partnership Agreement
NVIRP	Northern Victoria Irrigation Renewal Project
OESC	Office of the Emergency services Commisioner
PAEC	Public Accounts and Estimates Committee
PHOFA	Public Health Funding Agreement
PV	Photovoltaic
RAV	Rural Ambulance Victoria
RIDF	Regional Infrastructure Development Fund
RDV	Regional Development Victoria
SD	Statistical Division
SPP	Specific Purpose Payments
TAC	Transport Accident Commission
TAFE	Technical and Further Education
TEI	Total Estimated Investment
VBRRA	Victorian Bushfire Reconstruction and Recovery Authority
VEAC	Victorian Environmental Assessment Council
VPS	Victorian Public Service
VTP	Victorian Transport Plan

APPENDIX 2: LIST OF PERSONS AND DEPARTMENTS PROVIDING EVIDENCE AND RESPONSES TO THE ESTIMATES QUESTIONNAIRE

2.1 Evidence

8 May 2009

Portfolios: Parliamentary Departments; Innovation; Environment and Climate Change

Department of Parliamentary Services; Department of Innovation, Industry and Regional Development; Department of Sustainability and Environment

Mr R Smith, President of the Legislative Council;

Ms J Lindell, Speaker of the Legislative Assembly;

Mr R Purdey, Clerk of the Legislative Assembly;

Mr W Tunnecliffe, Clerk of the Legislative Council; and

Dr S O'Kane, Secretary, Department of Parliamentary Services, Parliament of Victoria.

Mr G Jennings, Minister for Innovation;

Mr H Ronaldson, Secretary;

Mr R Straw, Deputy Secretary; and

Mr J Strilakos, Acting Chief Financial Officer, Department of Innovation, Industry and Regional Development.

Mr G Jennings, Minister for Environment and Climate Change;

Mr P Harris, Secretary;

Mr D Hill, Chief Finance Officer;

Ms A Stone, General Manager, Office of Land and Fire; and

Ms C Jackson, Senior Budget Analyst, Department of Sustainability and Environment.

11 May 2009

Portfolios: Veterans' Affairs: Premier; Multicultural Affairs

Department of Planning and Community Development; Department of Premier and Cabinet

Mr J Brumby, Minister for Veterans' Affairs;

Mr T Robinson, Minister Assisting the Premier on Veterans' Affairs;

Ms H Silver, Secretary;

Mr P Reed, Deputy Secretary, Government and Corporate Group; and

Mr A Fennessy, Executive Director, Policy and Cabinet Group, Department of Premier and Cabinet; and

Mr Y Blacher, Secretary of the Department of Planning and Community Development.

Mr J Brumby, Premier;

Ms H Silver, Secretary;

Mr P Reed, Deputy Secretary, Government and Corporate Group; and

Mr A Fennessy, Executive Director, Policy and Cabinet Group, Department of Premier and Cabinet.

Mr J Brumby, Minister for Multicultural Affairs;

Mr G Lekakis, Chair, Victorian Multicultural Commission;

Ms H Silver, Secretary; and

Mr P Reed, Deputy Secretary, Government and Corporate Group, Department of Premier and Cabinet.

12 May 2009

Portfolios: Health; Financial Services; Information and Communication Technology; Treasury

Department of Human Services; Department of Innovation, Industry and Regional Development; Department of Treasury and Finance

Mr D Andrews, Minister for Health;

Ms F Thorn, Secretary;

Mr A Hall, Executive Director, Financial and Corporate Services;

Mr L Wallace, Executive Director, Metropolitan Health and Aged Care Services; and

Dr C Brook, Executive Director, Rural and Regional Health and Aged Care Services, Department of Human Services.

Mr J Lenders, Minister for Financial Services;

Mr P Collens, Executive Director, International Investment; and

Mr H Moor, Manager, Financial Services, Department of Innovation, Industry and Regional Development.

Mr J Lenders, Minister for Information and Communication Technology;

Mr R Straw, Deputy Secretary, Innovation and Technology; and

Mr J Strilakos, Acting Chief Financial Officer, Department of Innovation, Industry and Regional Development.

Mr J Lenders, Treasurer,

Mr G Hehir, Secretary;

Mr D Yates, Acting Deputy Secretary, Budget and Financial Management Division;

Dr L Williams, Deputy Secretary, Economic and Financial Policy Division; and

Mr J Fitzgerald, Deputy Secretary, Commercial Division, Department of Treasury and Finance.

13 May 2009

Portfolios: Education; Public Transport; Arts

Department of Education and Early Childhood Development; Department of Transport; Department of Premier and Cabinet

Ms B Pike, Minister for Education;

Professor P Dawkins, Secretary;

Mr D Fraser, Deputy Secretary, Office for Government School Education;

Mr J Miles, Acting Executive Director, Office for Resources and Infrastructure; and

Mr T Cook, Deputy Secretary, Office for Planning, Strategy and Coordination, Department of Education and Early Childhood Development.

Ms L Kosky, Minister for Public Transport;

Mr J Betts, Secretary;

Mr R Van Kuyk, Deputy Secretary;

Mr R Oliphant, Chief Financial Officer; and

Mr H McKenzie, Director of Public Transport, Department of Transport.

Ms L Kosky, Minister for the Arts;

Ms P Hutchinson, Director;

Mr G Andrews, Deputy Director, Policy and Programs;

Mr D Carmody, Deputy Director, Agencies and Infrastructure; and

Ms J Rowland, Senior Manager, Corporate Development, Agencies and Infrastructure, Arts Victoria, Department of Premier and Cabinet.

14 May 2009

Portfolios: Small Business; Police and Emergency Services; Corrections; Attorney-General; Racing; Agriculture

Department of Innovation, Industry and Regional Development; Department of Justice; Department of Primary Industries

Mr J Helper, Minister for Small Business;

Mr H Ronaldson, Secretary;

Mr D Latina, Executive Director, Small Business Victoria; and

Mr J Strilakos, Acting Chief Financial Officer, Department of Innovation, Industry and Regional Development.

Mr B Cameron, Minister for Police and Emergency Services;

Ms P Armytage, Secretary;

Dr R Kelleher, Executive Director, Police, Emergency Services and Corrections, Department of Justice; and

Chief Commissioner S Overland, Victoria Police.

Mr B Cameron, Minister for Corrections;

Ms P Armytage, Secretary;

Dr R Kelleher, Executive Director, Police and Emergency Services and Corrections, Department of Justice; and

Mr R Wise, Acting Commissioner, Corrections Victoria, Department of Justice.

Mr R Hulls, Attorney-General;

Ms P Armytage, Secretary; and

Mr J Griffin, Executive Director, Courts, Department of Justice.

Mr R Hulls, Minister for Racing;

Mr R Kennedy, Executive Director, Gaming and Racing; and

Ms P Armytage, Secretary, Department of Justice.

Mr J Helper, Minister for Agriculture;

Mr R Bolt, Secretary;

Dr B Kefford, Deputy Secretary, Agriculture and Fisheries;

Mr P Bailey, Executive Director, Biosecurity Victoria;

Mr L Wilson, Executive Director, Agriculture and Natural Resources Policy; and

Mr C O'Farrell, Chief Financial Officer, Department of Primary Industries.

15 May 2009

Portfolios: Roads and Ports; Tourism and Major Events; Major Projects; Water; Finance, WorkCover and Transport Accident Commission

Department of Transport; Department of Innovation, Industry and Regional Development; Department of Sustainability and Environment; Department of Treasury and Finance

Mr T Pallas, Minister for Roads and Ports;

Mr J Betts, Secretary;

Mr R Oliphant, Chief Financial Officer;

Mr G Liddle, Chief Executive, VicRoads; and

Mr T Garwood, Executive Director, Freight Logistics and Marine, Department of Transport.

Mr T Holding, Minister for Tourism and Major Events; and

Mr G Hywood, Chief Executive Officer, Tourism Victoria.

Mr T Pallas, Minister for Major Projects;

Mr H Ronaldson, Secretary;

Mr A Smith, Deputy Secretary;

Mr S Sweeney, Executive Director, Major Projects Victoria; and

Mr J Hall, Acting Deputy Secretary, Major Projects Victoria, Department of Innovation, Industry and Regional Development.

Mr T Holding, Minister for Water;

Mr P Harris, Secretary;

Mr D Downie, General Manager, Office of Water; and

Mr D Hill, Chief Finance Officer, Department of Sustainability and Environment.

Mr T Holding, Minister for Finance, WorkCover and the Transport Accident Commission;

Mr D Yates, Acting Deputy Secretary, Budget and Financial Management Division, Department of Treasury and Finance;

Mr C Reis, Deputy Secretary, Government Service Group, Department of Treasury and Finance

Mr G Tweedly, Chief Executive, Victorian WorkCover Authority; and

Ms J Dore, Chief Executive Officer, Transport Accident Commission.

18 May 2009

Portfolios: Housing; Aboriginal Affairs: Local Government

Department of Human Services; Department of Planning and Community Development

Mr R Wynne, Minister for Housing;

Ms F Thorn, Secretary;

Mr A Hall, Executive Director, Financial and Corporate Services;

Ms M Crawford, Executive Director, Housing and Community Building Division; and

Mr K Downie, Director, Policy, Strategy and Communications Division, Department of Human Services.

Mr R Wynne, Minister for Aboriginal Affairs;

Mr Y Blacher, Secretary of the Department of Planning and Community Development;

Mr I Hamm, Executive Director, Aboriginal Affairs Victoria; and

Mr S Gregory, Chief Finance Officer, Corporate Organisational Development and Communications, Department of Planning and Community Development.

Mr R Wynne, Minister for Local Government;

Mr Y Blacher, Secretary;

Ms P Digby, Deputy Secretary, Planning and Local Government; and

Mr S Gregory, Chief Financial Officer, Department of Planning and Community Development.

19 May 2009

Portfolios: Community Services; Mental Health; Senior Victorians; Community Development; Energy and Resources

Department of Human Services; Department of Planning and Community Development; Department of Primary Industries

Ms L Neville, Minister for Community Services;

Ms F Thorn, Secretary;

Mr A Hall, Executive Director, Financial and Corporate Services;

Mr P McDonald, Executive Director, Children, Youth and Families;

Mr A Rogers, Executive Director, Disability Services, Department of Human Services; and

Mr J MacIsaac, Executive Director, People and Communities, Department of Planning and Community Development.

Ms L Neville, Minister for Mental Health;

Ms F Thorn, Secretary;

Ms A Hall, Executive Director, Financial and Corporate Services; and

Ms G Callister, Executive Director, Mental Health and Drugs, Department of Human Services.

Ms L Neville, Minister for Senior Victorians;

Ms F Thorn, Secretary;

Mr A Hall, Executive Director, Financial and Corporate Services;

Dr C Brook, Executive Director, Rural and Regional Health Aged Care Services; and

Ms J Herington, Director, Aged Care Branch, Department of Human Services; and

Mr J MacIsaac, Executive Director, People and Communities, Department of Planning and Community Development.

Mr P Batchelor, Minister for Community Development;

Mr Y Blacher, Secretary;

Ms G Miles, Deputy Secretary;

Mr D Ferrie, Executive Director, Community Programs; and

Mr S Gregory, Chief Financial Officer, Department of Planning and Community Development.

Mr P Batchelor, Minister for Energy and Resources;

Mr R Aldous, Acting Deputy Secretary, Energy Resources and Major Projects;

Ms M Lourey, Executive Director, Energy Sector Development; and

Mr C O'Farrell, Chief Financial Officer, Department of Primary Industries.

20 May 2009

Portfolios: Regional and Rural Development; Skills and Workforce Participation: Planning: Sport, Recreation and Youth Affairs

Department of Innovation, Industry and Regional Development; Department of Planning and Community Development

Ms J Allan, Minister for Regional and Rural Development;

Mr H Ronaldson, Secretary;

Mr J Hanney, Chief Executive, Regional Development Victoria;

Mr B Ostermeyer, Executive Director, Infrastructure, Regional Development Victoria;

Mr J Strilakos, Acting Chief Financial Officer; and

Mr C Marsden, Manager, Business Improvement, Department of Innovation, Industry and Regional Development.

Ms J Allan, Minister for Skills and Workforce Participation;

Mr P Clarke, Acting Deputy Secretary, Skills Victoria;

Mr S Ward, Director of Workforce Victoria, Skills Victoria;

Mr H Ronaldson, Secretary;

Mr J Strilakos, Acting Chief Financial Officer; and

Mr C Marsden, Manager, Business Improvement, Department of Innovation, Industry and Regional Development.

Mr J Madden, Minister for Planning;

Mr Y Blacher, Secretary;

Mr S Gregory, Chief Finance Officer;

Mr J Gilmore, Executive Director, Planning Policy and Reform; and

Mr D Hodge, Executive Director, Planning Services and Development Facilitation, Department of Planning and Community Development.

Mr J Merlino, Minister for Sport, Recreation and Youth Affairs;

Mr T Healy, Deputy Secretary, People and Community Advocacy;

Dr P Hertan, Executive Director, Sport and Recreation Victoria;

Mr S Gregory, Chief Financial Officer, Corporate Finance; and

Ms K Krsevan, Director, Office for Youth, Department of Planning and Community Development.

21 May 2009

Portfolios: Children and Early Childhood Development; Industry and Trade; Industrial Relations; Gaming; Consumer Affairs; Women's Affairs

Department of Education and Early Childhood Development; Department of Innovation, Industry and Regional Development; Department of Justice; Department of Planning and Community Development

Ms M Morand, Minister for Children and Early Childhood Development;

Professor P Dawkins, Secretary;

Mr T Cook, Deputy Secretary, Office for Planning, Strategy and Coordination;

Ms J Nagorcka, Acting Deputy Secretary, Office for Children and Early Childhood Development; and

Mr J Miles, Acting Executive Director, Office for Resource and Infrastructure, Department of Education and Early Childhood Development.

Mr M Pakula, Minister for Industry and Trade;

Mr H Ronaldson, Secretary;

Dr A Smith, Deputy Secretary, Investment and Major Projects;

Mr W Lewis, Deputy Secretary, Industry and Trade;

Mr J Strilakos, Acting Chief Financial Officer; and

Mr C Marsden, Manager, Business Improvement, Department of Innovation, Industry and Regional Development.

Mr M Pakula, Minister for Industrial Relations;

Mr H Ronaldson, Secretary;

Mr J Strilakos, Acting Chief Financial Officer;

Ms B O'Neill, Acting Deputy Secretary, Workforce Victoria; and

Mr M O'Connor, Acting Deputy Secretary, Workforce Victoria, Department of Innovation, Industry and Regional Development.

Mr T Robinson, Minister for Gaming;

Ms P Armytage, Secretary; and

Mr R Kennedy, Executive Director, Gaming and Racing, Department of Justice.

Mr T Robinson; Minister for Consumer Affairs;

Ms P Armytage, Secretary;

Dr C Noone, Executive Director, Consumer Affairs Victoria; and

Mr T Lee, Executive Director, Community Operations and Strategy, Department of Justice.

Ms M Morand, Minister for Women's Affairs;

Mr T Healy, Deputy Secretary, People and Community Advocacy;

Ms F Mort, Manager, Policy Development; and

Ms R Green, Manager, Family Violence, Department of Planning and Community Development.

2.2 Responses received to the Committee's 2009-10 Budget Estimates questionnaire

Department of Education and Early Childhood Development

Department of Human Services

Department of Innovation, Industry and Regional Development

Department of Justice

Department of Parliamentary Services

Department of Planning and Community Development

Department of Premier and Cabinet

Department of Primary Industries

Department of Sustainability and Environment

Department of Transport

Department of Treasury and Finance

APPENDIX 3: RESPONSES TO REQUESTS FOR CLARIFICATION ON SPECIFIC ISSUES

Background

The responses provided in this Appendix were received after the tabling of the Committee's *Report on the 2009-10 Budget Estimates – Part One*, on 2 June 2009.

1.1 Department of Education and Early Childhood Development

1.1.1 Regarding the original response to Q1.6 in the Questionnaire

In relation to the Department's three largest output Budget initiatives for 2009-10 in terms of funding, the Department's response included $57.7 million over three years to continue the employment of 200 Teaching and Learning coaches and 50 Ultranet coaches, who work in targeted schools to support teachers in providing a world-class, 21st century education for all Victorian students. A similar description of this initiative is given in Budget Paper No. 3, page 309.

As this budget initiative represents a continuation of the employment of the two categories of coaches, please provide further information, including:

- ***the commencement date/s of the initiative;***
- ***the breakdown of funding between the two categories over the forward estimates period to 2011-12; and***
- ***an explanation of the underlying reasons for the allocation of new funding covering existing services, e.g. does the new funding relate to an expansion of the employment terms of the coaches or does it represent an increase in the coaches' working hours, etc.***

In the 2006-07 State Budget, funding of $51.63 million was allocated over two calendar years (2008-09) to improve student learning outcomes through the employment of 200 Teaching and Learning Coaches and 50 Ultranet Coaches.

The Phase 2 funding of $57.7 million extends the initiative through the employment of the coaches for an additional two school years (2010 and 2011). There is no change to the coaches' working hours or employment terms.

The increase in total funding over the two phases is due to an increase in the salary component of the funding. This increase results from the signing of the New Enterprise Bargaining Agreement for Victorian Government School Teachers.

Phase 1 of the Teaching and Learning and Ultranet Coaches Initiative commenced on 1 January 2008. Phase 2 of the Teaching and Learning and Ultranet Coaches Initiative will commence on 1 January 2010.

Breakdown of funding

Teaching and Learning Coaches Phase 2

	2009-10	2010-11	2011-12
Staffing Costs for 200 coaches	$10,595,200	$21,720,160	$11,135,555
Operating Expenses	$613,500	$1,541,100	$637,000
Total costs	$11,208,700	$23,261,260	$11,772,555

Source: DEECD Questionnaire response, August 2009, p.1

Ultranet Coaches Phase 2

	2009-10	2010-11	2011-12
Staffing Costs for 50 coaches	$2,648,800	$5,430,040	$2,783,889
Operating Expenses	$152,000	$283,500	$159,200
Total costs	$2,800,800	$5,713,540	$2,943,089

Source: DEECD Questionnaire response, August 2009, p.1

1.1.1 Regarding the original response to Q2.4 in the Questionnaire

In relation to providing the unapplied output and asset funding carried forward to 2009-10, the Department stated that 'the carryover figures are estimates only based on available information as at April 2009 and will be updated at the end of the financial year based on actual outcomes.'

Please provide the actual carryover figures for the unapplied output and asset funding carried forward to 2009-10.

Under section 32 of the *Financial Management Act 1994*, unapplied appropriation may be carried-forward with the approval of the Treasurer. The Department's carry-forward request for unapplied output and asset funding from 2008-09 has not yet been approved and therefore actual carry-forward figures have not been confirmed.

1.2 Department of Human Services

1.2.1 Regarding the original response to Q3.1 (a), (b) and (c) in the Questionnaire

In relation to providing details of its estimated efficiencies for 2009-10, the Department advised that 'The Department will provide details of its 2009-10 efficiency measures at the earliest opportunity following tabling of the 2009-10 State Budget Papers.'

Please provide a response to question Q3.1 (a), (b) and (c). In the response, please ensure that savings strategies employed to achieve efficiency targets are identified and linked to each respective target.

The 2009-10 Budget required the department to meet a general efficiency expenditure reduction of $23 million for 2009-10 rising to $46 million in 2011-12.

The efficiency improvement measure is in line with similar requests in past Budgets, such as the Efficient Government initiative. However, unlike the Efficient Government initiative, the 2009-10 Budget did not provide for departments to address specific areas in achieving efficiencies.

The department has adopted a program of activity to focus on efficiencies in areas of non direct service activity.

In respect of 2009-10 efficiency measures, the following areas have been reviewed and strategies put in place to deliver the efficiency savings:

- Reduction of costs for meetings and training
- Benefits realisation of Video conferencing
- Non replacement of non direct care staffing natural attrition
- Reduced use of contractors
- Administrative and budget processes

The strategies adopted have provided efficiencies to deliver Government's required efficiency savings in 2009-10.

DHS Efficiency Initiatives			
	2007-08	**2008-09**	**2009-10**
Total Efficiencies	16.9	21.8	30.3
Buying Smarter, Buying Less	7.4	9.6	11.5
Other Efficiencies – Total	9.5	12.1	18.8
Shared Services	4.2	4.3	8.5
Best Practice Grants Administration	0.2	0.4	0.4
Fleet Management	0.9	0.9	0.9
Advertising and Consultancy	1.1	1.1	1.1
Duplication of Grants	0.6	0.6	0.6
Head Office Staffing	2.4	4.8	7.3

Source: DHS Questionnaire response, September 2009

1.3 Department of Innovation, Industry and Regional Development

1.3.1 Regarding the original response to Q7.2 in the Questionnaire

In response to providing a table showing up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria, the Department explained:

- ***the budget allocation for 2009-10 dissected between new and existing projects;***
- ***the purpose of each project; and***
- ***the performance measures in place to assess performance.***

Please outline how the funding is to be spent on the three initiatives – Geelong Innovation and Industry Fund, Living Regions Living Suburbs, and Geelong Future Cities Master Plan – given that they are more recent, specific initiatives.

(1) Geelong Innovation and Industry Fund (GIIF)

The GIIF is a joint initiative between the State Government, Commonwealth Government and Ford Motor Company of Australia to support new investment in the Geelong Region. The State Government, through Regional Development Victoria, is contributing $6 million ($3 million in 2009/10) to the $24 million GIIF.

Funding is being provided to Companies (in accordance with the published Guidelines, Criteria and Funding Agreements) to support new investment that will create sustainable new jobs in the Geelong region.

The Commonwealth Government, through the Department of Innovation, Industry, Science and Research, has the primary responsibility for administering the GIIF.

(2) Living Regions Living Suburbs (LRLS)

The LRLS program supports initiatives promoting economic and social renewal in regional, rural and interface communities throughout Victoria. It supports initiatives including:

- Regional, Rural and Interface Renewal
- Living Regions Recovery Program
- New Opportunities for Industry Innovation
- Regional Community Tourism Events
- Strategic Economic Development Opportunities

In 2009/10 a significant component of LRLS will be directed to bushfire recovery initiatives under the Living Regions Recovery Program. This includes:

- $500,000 for the *Bushfires Business Relief Emergency Fund* which will provide assistance to small businesses indirectly affected by the fires.
- $2 million (over two years) for the *Bushfire Recovery Community Infrastructure Program*, with a further $2 million also being contributed by Bendigo Bank through its Community Enterprise Foundation.
- Other initiatives that may be supported during 2009/10.

(3) Geelong Future Cities Master Plan

The Geelong Future Cities Master Plan has two key components:

- Funding, by way of a grant to the City of Greater Geelong, for the redevelopment of the Old Geelong Courthouse building into a Youth Arts Facility.
- Funding to undertake assessment and business cases for the possible redevelopment of the Geelong Library and Heritage Centre and the Geelong Performing Arts Centre.

1.4 Department of Justice

1.4.1 Regarding the original response to Q2.4 in the Questionnaire

Departmental Response

In relation to the unapplied output and asset funding carried forward to 2009-10, please provide:

a) the actual carryover into 2009-10 of unapplied asset funding once final expenditure and output delivery results for 2008-09 are available

The Department's (excluding Victoria Police) final output carryover request is $7.156m. The final capital carryover request is $9.5m.

b) the underlying reasons for the Department's funding carryover

The requested output and capital carryover predominantly relate to two projects. The Building Confidence in Corrections (BCIC) initiative and the Traffic Camera System project which both have output and capital components.

The Ararat prison element of the BCIC project is slated to become a Public Private Partnership. The carryover relates to the payments that would be made to the successful tenderer when the contracts are signed. The Traffic Camera System project carryover reflects greater than anticipated contract specification activity due to the need to accurately define in detail highly complex business requirements.

c) the intended revised timing for use of the carried-forward funds, including project specific details.

Requested output and capital carryover is expected to be fully expended in the 2009-10 financial year as the projects continue to satisfactorily progress.

Victoria Police Response

In relation to the unapplied output and asset funding carried forward to 2009-10:

Please provide for the output funding carryover:

a) the underlying reasons for the funding carryover

Underlying reasons for final output funding carryover remain the same as the explanation for the provisional carryover as provided in the Questionnaire submission on 7 May 2009. That is, contractual arrangements on these projects have been revised without impact on the project delivery dates.

b) the intended revised timing for use of the carried-forward funds, including project specific details.

Requested output carryover is expected to be fully expended in the 2009-10 financial year.

Please provide, for the asset funding carryover, the underlying reasons for the funding carryover.

The Victoria Police final capital/asset carryover request was $1.552m. The capital request relates to the Carlton/North Melbourne police station project. The reasons for the request are delays due to protracted site search and compulsory acquisition processes.

1.4.2 Regarding the original response to Q7.2 in the Questionnaire

In response to providing a table showing up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria, the Department provided a list of statewide initiatives. The Department stated that 'These initiatives are detailed in the Budget papers.'

Please provide a table showing these projects and include:

- ***the budget allocation for 2009-10 dissected between new and existing projects;***
- ***the purpose of each project;***
- ***how the funding is to be spent; and***
- ***the performance measures in place to assess performance.***

CFA Replacement Trucks

Budget allocation for 2009-10 ($million over 4 years)	Purpose	How funding is to be spent	Performance measures
	To upgrade fire-fighting equipment.	Replacement of aging pumper trucks, tankers and operational support vehicles to maximise emergency response capability and provide additional protection for fire crews in the case of burnovers to ensure volunteer safety.	Funding provided to enable replacement of 87 CFA assets.

	2009/10	2010/11	2011/12	2012/13	TOTAL
Output	0.9	0.9	0.9	0.9	**03.6**
Asset TEI	17.5	-	-	-	**17.5**

Gross Amount

Existing Program: Asset Replacement Strategy

VicSES Critical Asset Replacement

Budget allocation for 2009-10 ($million over 4 years)	Purpose	How funding is to be spent	Performance measures
	To replace rescue trucks and equipment at the end of their useful life, and continue delivery of vital emergency services.	To replace rescue trucks and equipment and continue delivery of vital emergency services.	Anticipated impacts of this proposal would be to increase VICSES' ability to deliver on its core services to the community and to offer support to other emergency services throughout the State, including: • decrease in maintenance costs; • decrease number in trucks 'out of service' due to mechanical breakdown; • ensure maintenance of or a reduction in the response times to road rescue incidents; • improve volunteer recruitment and retention; • ensure VICSES can meet the State Govt's overarching Asset Strategies and its own VICSES Asset Strategy.

	2009/10	2010/11	2011/12	2012/13	TOTAL
Output	0.9	0.9	0.9	0.9	**03.6**
Asset TEI	6.6	-	-	-	**6.6**

Existing Program: Asset Replacement Strategy

VicSES Unit Operating Costs

Budget allocation for 2009-10 ($million over 4 years)	Purpose	How funding is to be spent	Performance measures
	To support VicSES Unit Operating costs which are growing beyond indexation rates.	To help meet day-to-day operating costs, including maintenance of motor vehicles, supplies and provision of loca l unit operational support and training.	The proposal relates to maintaining a sustainable budget for VicSES against cost escalations beyond indexation rates.

	2009/10	2010/11	2011/12	2012/13	TOTAL
Output	1.6	1.7	1.7	1.8	**6.8**
Asset TEI	-	-	-	-	**-**

Including additional funding already provided by government

Existing Function: Increased funding

Source: DOJ Questionnaire response, August 2009, p.4

CFA Ultra Light Tankers

Budget allocation for 2009-10 ($million over 4 years)	Purpose	How funding is to be spent	Performance measures

	2009/10	2010/11	2011/12	2012/13	TOTAL
Output	1.2	1.2	1..3	1.3	**5.0**
Asset TEI	5.3	-	-	-	**5.3**

Gross Amount

Existing Strategy: New pieces of equipment in line with ongoing asset strategy

The purchase of Ultra Light Tankers is intended to improve response to lightning strikes and back burning operations, particularly in remote and rugged terrain.

CFA will procure 42 additional ultra-light tankers. Ultra Light Tankers offer greater manoeuvrability to access hilly and forested areas. The tankers will enable greater quantity of water to be provided to the containment lines prepared by bulldozers and other equipment, in turn providing a greater chance that the containment lines will be effective in halting the spread of fire.

The additional Ultra Light Tankers will provide added capability to the CFA in responding to emergencies in places previously inaccessible. In turn, this will contribute to the achievement of faster response times and containment of fire to origin.

Victoria Police Road Safety (Moving Mobile Radar component)

Budget allocation for 2009-10 ($million over 4 years)	Purpose	How funding is to be spent	Performance measures
Road Safety: Moving Mobile Radar component	Many Victorians are impacted by road trauma each year with speed, drink driving and drug-impaired driving being major contributors. More than 30 per cent of fatal accidents on Victorian roads are caused by speed.	Enhanced speed detection via the installation of additional Moving Mobile Radars in police vehicles will focus on high-speed zones in country areas and better location targeting of high-risk crash sights [sic].	This initiative forms part of the Government's road safety strategy, *Arrive Alive 2*, which aims to save an estimated 100 extra lives and prevent around 2000 serious injuries per year by the end of 2017. This initiative will be the subject of ongoing evaluation of performance against the measures outlined in *Arrive Alive 2* 2008-2017.

	2009/10	2010/11	2011/12	2012/13	TOTAL
Output	0.816	0.314	0.323	0.331	**1.784**
Asset TEI	-	-	-	-	**-**

Existing Technology Strategy: forms part of ongoing technology improvement for Road Safety initiatives

In the 2009-10 Budget papers, the full parcel of Road Safety initiatives includes:

- Enhancing enforcement of speed restrictions via:
  - allocation of additional mobile camera hours;
  - upgrade of red light road safety cameras;
  - **additional moving mode radars in police vehicles**
- Victoria Police conducting and additional 20,000 drug tests each year; and
- Expansion of the Vehicle Impoundment Scheme.

NOTE: A number of the above Road Safety activities will benefit rural and regional Victoria. However, final locations will be at the discretion of Victoria Police. The Moving Mobile Radar component provides the clearest example of targeting zones in country areas.

Source: DOJ Questionnaire response, August 2009, p.5

<table>
<tr><th colspan="4">Project 000 VicSES Radios and EAS Pager Capability (CFA)</th></tr>
<tr><th>Budget allocation for 2009-10 ($million over 4 years)</th><th>Purpose</th><th>How funding is to be spent</th><th>Performance measures</th></tr>
<tr>
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<tr><th></th><th>2009/10</th><th>2010/11</th><th>2011/12</th><th>2012/13</th><th>TOTAL</th></tr>
<tr><td>Output</td><td>31.3</td><td>25.4</td><td>23.2</td><td>18.9</td><td>98.8</td></tr>
<tr><td>Asset TEI</td><td>7.7</td><td>6.7</td><td>-</td><td>-</td><td>14.4</td></tr>
</table>
Existing Communications Capacity: continuation of upgrade
</td>
<td>Improve ‘Project 000 Response’ for emergency service organisation communications and response to emergency calls.</td>
<td>Strengthened communications between Emergency Service Organisations (ESO’s) by improving network access for regional Radio Dispatches for the CFA and VICSES, enhanced capability for the Emergency Alerting System pagers, and new radios for VICSES to enable them to acknowledge dispatches and coordinate emergency responses effectively.</td>
<td>The improved capability will allow for better processes in emergency communications, contributing to the achievement of faster response times.</td>
</tr>
<tr><th colspan="4">Victoria Police Physical Assets Building – Regional Police Stations Program</th></tr>
<tr><th>Budget allocation for 2009-10 ($million over 4 years)</th><th>Purpose</th><th>How funding is to be spent</th><th>Performance measures</th></tr>
<tr>
<td>
<table>
<tr><th></th><th>2009/10</th><th>2010/11</th><th>2011/12</th><th>2012/13</th><th>TOTAL</th></tr>
<tr><td>Output</td><td>0.4</td><td>0.8</td><td>1.5</td><td>2.1</td><td>4.8</td></tr>
<tr><td>Asset TEI</td><td>7.8</td><td>6.0</td><td>10.0</td><td>3.7</td><td>27.5</td></tr>
</table>
Existing Strategy: continuing upgrade of Victoria Police facilities and residences
</td>
<td>The Government will continue to upgrade police infrastructure in Regional Victoria.</td>
<td>Upgrade of police station facilities including: Castlemaine, Axedale, Buninyong, Koo Wee Rup, Pyalong, Balmoral, Riddells Creek, Korumburra, Lara, Mortlake and seed funding for South Melbourne/Prahran.</td>
<td>A post-occupancy Evaluation will be conducted which, among other things, will measure the success of the complex against each project brief.

Assets completed by or before agreed completion date.

Benefits demonstrated by:
• the provision of facilities available for use by external stakeholders;
• increased community use of the facility; and
• prominence/accessibility of the facility.
Benefits measured by:
• reduced energy consumption (on a p/sqm basis); and
• compliance with Government sustainability targets and guidelines.</td>
</tr>
</table>

Source: DOJ Questionnaire response, August 2009, p.6

Family Violence Courts (Ballarat location)

Budget allocation for 2009-10 ($million over 4 years)	Purpose	How funding is to be spent	Performance measures
Family Violence Courts: Ballarat location only **2009/10** | **2010/11** | **2011/12** | **2012/13** | **TOTAL** **Output** | 31.3 | 25.4 | 23.2 | 18.9 | **98.8** **Asset TEI** | 7.7 | 6.7 | - | - | **14.4** The Family Violence Courts initiative encompasses activities bat both the Heidelberg and Ballarat Magistrates' courts. The above figures illustrate the Ballarat component only. **Existing** Program: Continuation of funding	To continue funding the Family Violence Court Division operating at the Ballarat Magistrates Court.	This initiative will allow for continuation of Family Violence services in Ballarat. This continues the Government's commitment to: • providing an integrated service response to address family violence; • improving the safety of all Victorians experiencing family violence; and • holding perpetrators accountable for their behaviour.	This initiative is part of the A Fairer Victoria (2008) Strategy 3, *Responding to Family Violence More Effectively*. As such, performance will be monitored thorough data analysis and monitoring frameworks established to ensure relevant information is available to measure the initiatives' achievements against its stated outcomes, which include: • access to dedicated family violence courts and court services is retained; • the safety of victims is increased; and • accountability of defendants is promoted.

Victoria Racing Industry – Regional Racing Infrastructure Fund

Budget allocation for 2009-10 ($million over 4 years)	Purpose	How funding is to be spent	Performance measures
2009/10 | **2010/11** | **2011/12** | **2012/13** | **TOTAL** **Output** | 10.0 | 23.0 | 10.0 | 2.0 | **45.0** **Asset TEI** | - | - | - | - | **-** **New** grants scheme	Funding is provided through a grants system to improve racetrack facilities across Victoria in order to assist in securing the long-term future of Victoria's Racing Industry.	Infrastructure improvements will be spread across a number of rural/regional tracks, focusing on: • Drought proofing and water saving measures; • Occupational helath and safety improvements; • Regional racetrack infrastructure improvements; and • Projects or programs which, in the opinion of the Minister, have potential to stimulate industry growth and development.	The initiative relates to the BP3 Output of *Gaming and Racing Management and Regulation*, and will contribute towards quality measures under 'Racing matters processed'. Once projects are approved by the Minister for Racing, successful organisations are required to enter into a funding agreement with the Department of Justice. Grant payments will be made in accordance with the funding agreement. Progress reporting will be agreed in the terms and conditions of the funding agreement. Outstanding claims are monitored with the grantees on a monthly basis.

Source: DOJ Questionnaire response, August 2009, p.7

1.5 Department of Planning and Community Development

1.5.1 Regarding the original response to Q3.1 in the Questionnaire

In the 2007-08 Budget, the efficiency targets assigned to the former Department for Victorian Communities were Buying Smarter, Buying Less ($2m) and Other Efficiencies ($11.1m), which totalled $13.1m.

In the 2008-09 Budget, the efficiency target for the Department was $8.3m for General Efficiencies.

In the 2009-10 Budget, the efficiency target for the Department was $3m for General Efficiencies.

In its response to the Committee, the Department has only included the 2009-10 allocation for general efficiencies of $3m and $1.1m for savings under the Efficient Government policy.

Given the additional efficiency targets published in the last three budgets, please provide a breakdown of the aggregate target figure for 2009-10, as announced in these budgets, incorporating the Department's share of the efficiency targets previously allocated to the former Department for Victorian Communities.

Efficiencies announced for 2007-08, 2008-09 and 2008-09 [sic] results in an aggregate target of $19.0 million by 2009-10. This target incorporates adjustments following machinery of government changes and a revision of the distribution of *Efficient Government* policy targets by Government. The impact on the Department in 2009-10 is $4.1 million reflecting timing of when the savings are delivered. The components of the saving for 2009-10 are detailed below:

Efficiency	**Total 2009-10 Budget Savings $m**
Buying Smarter, Buying Less	0.3
Shares [sic] Services	0.2
Managing VPS Growth	0.6
General administrative efficiencies	3.0
Total	**4.1**

Source: DPCD Questionnaire response, August 2009, p.1

1.6 Department of Premier and Cabinet

1.6.1 Regarding the original response to Q2.4 in the Questionnaire

In relation to unapplied output and asset funding carried forward to 2009-10, the Department indicated that 'A final output carry forward amount is not finalised until the end of the financial year, therefore at this stage no precise figure has been formalised.'

Please provide a breakdown of the carried-forward funding for both output and asset initiatives, and the underlying reasons for the Department's funding carryover for each category.

DEPARTMENT OF PREMIER AND CABINET 2008-2009 TO 2009-2010 TOTAL FINAL CARRYOVER REQUIRED BY FUND SOURCE (July 2009)			
Appropriation	**State Funds** **$'000**	**Commonwealth Funds** **$'000**	**Total** **$'000**
Provision of outputs (*section 29 of the Financial management Act 1994 applies*)	0	0	0
Additions to the net asset base (*section 29 of the Financial Management Act 1994 applies*)	2,570,000	0	2,570,000
Payments on behalf of the State	0	0	0
Total	**2,570,000**	**0**	**2,570,000**

Source DPC Questionnaire response, August 2009, p.2

1.7 Department of Primary Industries

1.7.1 Regarding the original response to Q1.2 in the Questionnaire

In response to the impacts that developments at the Commonwealth level had on preparing the Department's component of the 2009-10 State budget, the Department's response included: 'The release of the Commonwealth Budget on 12 May 2009 may further impact on the Department's 2009-10 Budget however outcomes are not known at this time.'

Please provide information on any further impacts on the Department's budget following the release of the Federal Budget, if relevant.

The Federal Clean Energy Initiative announced in the May 2009 Commonwealth Budget will provide $4.5 billion to fund carbon capture and storage (CCS) and solar power flagship projects.

The new projects will proceed by competitive tender, however Victoria is well positioned to benefit from these programs and will work closely with the Federal Government to ensure maximum benefit for the State. In regards to the Solar flagships funding, it is expected that proponents for funding under the Victorian Government's large scale solar project (announced in the 2009-10 State Budget) will be able to apply for the required co-funding through this program.

1.7.2 Regarding the original response to Q2.4 in the Questionnaire

In relation to the unapplied output and asset funding carried forward to 2009-10, the Department advised that 'Information on carry forward funding for 2009-10 can not be provided at this point of the year. This information will be finalised in June 2009.'

Please respond to Q2.4.

In relation to the unapplied output and asset funding carried forward to 2009-10, please provide:

(a) ***a breakdown of the carried forward funding for both output and asset initiatives;***

(b) ***the underlying reasons for the Department's funding carryover for each category; and***

(c) ***the intended revised timing for use of the carried forward funds, including project specific details for asset initiatives.***

a) DPI has requested carryover into 2009-10 of $24.4 million in output funding and $14.4 million in asset funding.

b) Underlying reasons for each category detailed below:

- *Output funding* - the carryover required is mainly attributable to adjusted delivery timelines for the Energy Technology Innovation Strategy, Developing Gold Undercover initiative, Otway CO2CRC (CCS Trial) and Future Farming initiatives. External research and development funding is also required to be carried over into the next financial year in line with contractual obligations for associated projects.
- *Asset funding* - carryover funding has been requested in regards to five projects, further detail provided in response to (c).

c) All asset and output funding carried over is expected to be expended in the 2009-10 financial year. Further detail on the asset projects are below:

- *Fisheries Catch and Effort System Redevelopment* – carryover requested due to milestone and payment schedule being revised with contractor.
- *Redevelopment of Melbourne Showgrounds* – carryover requested due to land remediation activities being postponed due to unanticipated planning and development issues associated with the development of non-core land.
- *New Biosciences Research Centre* – carryover requested due to a delay in the purchase of specialised equipment.
- *Resource Rights Allocation and Management Capability* – carryover requested due to a delay in the commencement of the program manager and subsequent milestones and timelines being deferred.
- *Plant and Equipment (Various)* – carryover requested to deliver minor capital/fit out works scheduled for 2008-09 in 2009-10. Delays were due to inherent complexities with individual processes along with emergency response priorities resulting in the redirection of resources away from scheduled program delivery.

1.8 Department of Sustainability and Environment

1.8.1 Regarding the original response to Q1.7 in the Questionnaire

What programs, if any, have been deferred to future years to reduce financial pressures on the budget and achieve targeted budget surpluses?

Please provide more specific details in respect of any changes to the timing of individual projects.

As previously noted, the Department is constantly restructuring its budget to address priority areas, including the timing of key water projects. Any revision to the timing of these projects is due to phasing of works or assessments of need, and is not linked to achieving budget surpluses.

For example, funding for the Wimmera-Mallee Pipeline was brought forward into the 2007-08 financial year from future years to allow for accelerated works. This will result in the completion of this project in early 2010, 6 years ahead of schedule.

Funding for the Goldfields Superpipe was also brought forward from future years to allow for accelerated works, leading to the completion of the project in 2007-08.

through the health system. Substantial effort is expended to ensure that the definitive finalised dataset faithfully records events. For these reasons, data from superseded IPARs is not used once the year's data is finalised.

Finalised and audited data is available for the 2007-08 year from agency annual reports tabled In the Parliament. Data for the 2008-09 year will not become a definitive and finalised dataset until September 2009.

1.4.7 Further information regarding policy and approaches that Ambulance Victoria has put in place in relation to fatigue prevention in ambulance paramedics, including meal break management initiatives.

Fatigue is a complex issue and its management is also complex. Rostering flexibility can assist in managing fatigue, but needs to be applied in conjunction with other fatigue and resource management measures. Ambulance Victoria (AV) is addressing fatigue through the development of a robust multifaceted fatigue management plan. The plan has the following elements, a number of which are developments of current programs:

- Education and training
- Policy
- Risk Analysis
- Working Patterns
- Workshops

To manage meal breaks effectively AV currently has strategies in place such as: staggered roster starts, a dedicated Meal Break Duty Team Manager to continually review and refine operational processes and regular communication with the workforce to identify service improvement opportunities.

1.5 Housing portfolio

1.5.1 Asset Management Principles

Objectives

The Department of Human Service's approach to asset management is underpinned by a number of objectives, including:

> Ensuring stock meets contemporary demand for affordable housing; and
> achieving overall social housing growth.

Public housing sustainability

The Department envisages a sustainable social housing sector with well-located stock that meets the needs of clients with a range of needs. Over the last 10 years, the proportion of clients with complex needs housed has been increasing in all States and Territories.

The asset response needs to ensure that allocations do not exacerbate concentrations of disadvantage and that maintenance, upgrade and redevelopment programs are aimed at reducing

The timing of other water projects, such as the National Water Initiative – Macalister, Sustainable Water Initiatives and some projects under the Victorian Water Trust have also been revised. These revisions allowed for required approvals, the finalisation of negotiations with the Commonwealth and the procurement of appropriate contractors, and resulted in minor amendments to associated budgets.

1.8.2 Regarding the original response to Q2.4 in the Questionnaire

In relation to providing the unapplied output and asset funding carried forward to 2009-10, the Department indicated that 'The Department cannot yet advise of the actual amount of funding to be carried forward to 2009-10. This information can be provided at the end of the 2008-09 financial year.'

Please respond to matters referred to in Q2.4.

The 2009-10 Budget Paper 4 page 240 shows the Department's 2008-09 carryover as $69.45 million; $26.06 million of asset carryover and $43.4 million of output carryover. The table[s] [following] provides a breakdown of the $69.45 million.

2008-09 Asset Carryover	
Project/Initiative	**Published Carryover**
	$'M
Fire Protection Access: Bridge replacement	10.0
Barwon Water Shell Recycling	5.0
Victorian Water Trust	4.6
Living Murray	2.1
Other projects	4.4
Total Asset Carryover	26.1

Source: DSE Questionnaire response, September 2009, p.4

2008-09 Output Carryover	
Project/Initiative	**Published Carryover**
	$'M
Environment Contribution initiatives	9.9
Additional Section 29 Collections	8.0
ESAS initiatives	4.0
Parks and Reserves	3.8
Natural Resources Investment Program	3.7
Climate Change initiatives	2.0
Grants for Water Bills	1.5
Victorian Water Trust	1.5
Water infrastructure projects	1.5
Bushfire Recovery	.0
Other projects	6.5
Total Asset Carryover	43.4

Source: DSE Questionnaire response, September 2009, p.4

The carryovers outlined above are primarily due to:

- The severe February 2009 bushfires, which required the diversion of resources to fire suppression activities;
- The receipt of Commonwealth funding in 2008-09 for projects to be undertaken in 2009-10; and
- Negotiations with other organisations regarding Victorian investment were not finalised in 2008-09, therefore deferring expenditure; and
- Minor adjustments to project cashflows following the finalisation of Water Corporations' 5 year (2008-13) Water Plans.

1.8.3 Regarding the original response to Q3.1 (d) in the Questionnaire

In response to explaining estimated efficiencies to be derived in 2009-10, the Department provided information regarding efficiency measures and savings.

Please provide a description of areas earmarked for productivity improvement in 2009-10.

As noted in the Departments previous responses, further information is unable to provided regarding efficiencies, as the specific areas and actions and the attributable savings are not recorded. Savings are applied across the Department and its portfolio entities on a pro-rata basis on their discretionary expenditure base.

1.8.4 Regarding the original response to Q4.1 (c) in the Questionnaire

In relation to providing a list of up to five projects or programs worth over $1million (new and/or existing) where increased funding has been provided in the budget to address environmental issues (including responding to climate change), and a comparison of funding levels for 2008-09 and 2009-10 for existing projects if applicable, the Department's response revealed that 'There are a large number of existing projects or programs within the Department which focus on environmental issues. Many of these programs will receive increased funding in 2009-10 in line with the impact of the Departmental Funding Model.

The 2009-10 State Budget also included new funding for a significant number of initiatives for this Department to address environmental issues. Details of these initiatives can be found on pages 352 to 354 of Budget Paper 3.'

The Department has referred the Committee to the 2009-10 Budget Papers for information on new funding initiatives of an environmental nature introduced in the Budget. Please provide equivalent information for 2008-09 and 2009-10 relating to existing projects or programs.

As noted in previous responses to PAEC, the vast majority of existing programs receive increased funding each year via the operation of the Departmental Funding Model. Given the significant number of environmental programs managed by the Department, a list of these programs and their funding across 2008-09 and 2009-10 cannot be provided.

However, as initiatives are announced each year in Budget Paper 3 (Appendix A), existing initiatives for the Department can be found in prior year Budget Papers.

1.8.5 Regarding the original response to Q5.2 in the Questionnaire

In relation to providing details of the processes that have been applied by the Department to ensure that new programs have been rigorously costed, the Department advised that 'no information can be provided in response to this question until after the release of the State Budget on 5 May 2009.'

Please provide a response to Q5.2.

As part of the Government's annual Budget process, Departments are required to provide detailed submissions and business cases regarding each investment proposal. This includes an analysis of proposed costings, and the identification and analysis of alternative options. These submissions are then reviewed by the Department of Treasury and Finance (DTF) and the Department of Premier and Cabinet. Further information regarding this process can be found on the DTF website – www.dtf.vic.aov.au.

In addition, the Department also undertakes its own review of investment proposals prior to submitting for Government consideration. This process includes consideration by the Department's Finance Committee, which is comprised of senior management from across the Department.

1.8.6 Regarding the original response to Q5.5 in the Questionnaire

In response to providing a tabular dissection of the Department's 2009-10 Budget and expected expenditure for 2008-09 under the Government's key themes presented annually in the Victorian Budget Overview, differentiating between new funding initiatives and ongoing funding, the Department advised that 'As noted in Question 1.1, the key themes in the 2009-10 that relate to the Department are bushfire recovery and protecting our natural environment and resources. There are a number of new initiatives contained in the 2009-10 Budget for the Department. Whole-of-Government initiatives within these themes are located on pages 284 to 287, page 291 and page 295 of the 2009-10 Budget Paper 3. Department-specific initiatives are located on pages 352 to 354.

There are also number of existing programs which also relate to bushfires and protecting our natural environment. The key focus for the Department's Healthy and Productive Land; Healthy, Productive and Accessible Marine, Coastal and Estuarine Systems; and Flourishing Biodiversity in Healthy Ecosystems includes fire management and the health of the environment. The total output costs for these programs can be found on pages 211 to 220 of the 2009-10 Budget Paper 3.'

Please provide a tabular dissection of the Department's 2009-10 Budget and expected expenditure for 2008-09 under the Government's key themes presented annually in the Victorian Budget Overview, differentiating between new funding initiatives and ongoing funding, as described in Q5.5.

The Department is unable to provide this information. The key themes and associated budget funding contained with the annual Budget Overview are compiled by the Department of Treasury and Finance, and the Department does not have access to this information.

The Departments annual output costs, which provide a dissection of the Department's budget across priority areas are included in the annual Budget Paper 3 (2009-10 Budget Paper 3 page 211).

1.8.7 Regarding the original response to Q6.2 (a) in the Questionnaire

In relation to outlining any new revenue raising initiatives and/or major changes to existing revenue initiatives, the Department's response of 4 May 2009 stated 'No information can be provided in response to this question until after the release of the State Budget on 5 May 2009.'

The Department's supplementary response of 7 May stated 'In the response of 4 May, the Department provided information regarding existing revenue initiatives.

The 2009-10 Budget does not contain any new revenue initiatives for the Department.'

Please provide information regarding any existing revenue initiatives. If applicable, please provide details of these initiatives together with anticipated revenue collections.

The 2009-10 Budget did not include any major changes to existing revenue initiatives for the Department.

1.8.8 Regarding the original response to Q7.2 in the Questionnaire

In relation to providing a table showing up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria, the Department's response included summaries of two projects: the Foodbowl Modernisation Project (Stage One) and Fire Operations.

Please provide the performance measures in place to assess performance.

Foodbowl Modernisation Project (Stage One)

The Northern Victoria Irrigation Renewal Project (NVIRP) 2007-08 Annual Report (page 5) sets out the objectives and deliverables for the overall project. The objectives of Stage One of the project are outlined on page 12 of the same report, which is available at: http://www.nvirp.com.au/publications/annual_report.aspx

In addition, a funding agreement is in place between NVIRP and the Department. This agreement includes key milestones that must be met, documented and provided to the Department in order for the payment of funds. NVIRP must also submit an annual works milestone schedule to the Department for approval, which outlines expected performance and project delivery for the forthcoming year.

Fire Operations

As previously noted, the additional funding provided for fire operations will be spent on a range of activities that contribute to the Department's Land and Fire Management output. Performance measurers for this output are included in the annual Budget papers (Budget Paper 3) and in the DSE Annual Report.

For example, the Land and Fire Management output (2009-10 Budget paper 3, pages 218 and 219) includes the proportion of fires controlled at less than five hectares and the proportion of fires controlled at first attack.

The additional funding provided will assist the Department in delivering these measures.

1.9 Department of Transport

1.9.1 Regarding the original response to Q1.2 in the Questionnaire

In response to the impacts that developments at the Commonwealth level had on preparing the Department's component of the 2009-10 State budget, the Department's response included: 'Victoria is awaiting information from the Commonwealth on which Victorian priority projects may receive Commonwealth funding from the Building Australia Fund. This information is expected to be announced in the Federal Budget on 12 May 2009.'

Please provide any further information on Victorian priority projects following the release of the Federal Budget.

The Victorian Government continues to work in partnership with the Commonwealth Government to improve transport infrastructure in Victoria and to create and secure jobs in the current global economic climate.

Under the Building Australia Fund, the Commonwealth Government announced in its 2009-10 Budget a contribution of $3.225 billion for the Regional Rail Link project. The project will build up to 50 kilometres of stand-alone rail tracks from West Werribee to Melbourne's Southern Cross Station, and will separate regional and suburban trains across the west. This is the first major investment for Victoria under the Building Australia Fund.

The Commonwealth Government has also committed $40 million toward the Melbourne Metro 1 – East West Rail Tunnel project, to commence pre-construction planning, design and engineering works. The two-stage project is a 17 kilometre two track tunnel, with the first stage between South Kensington and the Domain, delivering significant benefits to the wider Melbourne metropolitan rail network.

1.9.2 Regarding the original response to Q3.1 in the Questionnaire

In relation to providing details of its 2009-10 planned efficiency savings according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08 and 2008-09 Budgets and in new measures introduced in the 2009-10 Budget, the Department advised that 'The Efficient Government policy and other targeted initiative required the Department to achieve savings through implementation of the following measures:

- ***A 'Buying Smarter, Buying Less' purchasing framework which applied to all purchases of operating supplies and consumables from 1 July 2007***
- ***Head Office savings including those delivered through Shared Services functions such as Corporate Services (Finance, HR) and ICT (Desktop, Applications, Infrastructure)***
- ***Reduction in advertising and consultancies expenditure***
- ***Increased operational efficiencies via Best Practice Grant Administration***
- ***Reduction in fleet management costs through better use of technology, centralised databases and facilities***
- ***Reduction in WorkCover and insurance premiums***

Please provide a breakdown of the efficiency savings from these measures as identified in the 2007-08 and 2008-09 Budgets.

The Efficient Government Policy savings requirement for DOT in the 2007-08 State Budget was $7.8 million. This was set by Government based on the following savings areas:

	$m
• Implementation of 'Buying Smarter, Buying Less' policy	5.6
• General head office including grant administration and fleet management	1.6
• Advertising and consultancies	0.4
• Shared services arrangements	0.2
	7.8

Source: DOT Questionnaire response, August 2009, p.1

The 2008-09 State Budget included a new efficiencies savings requirement for the Department of $12.5 million per annum. These savings have been met through increased administrative efficiency.

1.10 Department of Treasury and Finance

1.10.1 Regarding the original response to Q1.7 in the Questionnaire

In response to any programs that have been deferred to future years to reduce financial pressures on the budget and achieve targeted budget surpluses, the Department stated 'One of the guiding principles that government, under legislation, is required to practise is fiscal responsibility. Therefore, the Government ensures that funding decisions are consistent with the capacity to fund service delivery in a sustainable manner. This entails making decisions on many and variable proposals and options, which are a matter for government to decide.'

Some departments have provided a response to this question, while others have stated that this area is the responsibility of your Department. Please provide details in the table below of any programs that have been deferred for these departments:

Department	**Programs deferred to future years**
Department of Education and Early Childhood Development	No existing programs have been deferred to future years
Department of Transport	No existing programs have been deferred to future years
Department of Treasury and Finance (if applicable)	No existing programs have been deferred to future years
Department of Planning and Community Development	No existing programs have been deferred to future years
Department of Premier and Cabinet	No existing programs have been deferred to future years
Department of Primary Industries	No existing programs have been deferred to future years

Source: DTF Questionnaire response, September 2009, p.1

1.10.2 Regarding the original response to Q1.9 in the Questionnaire

In relation to providing an explanation of the type of criteria used to provide assurance on issues related to projected debt levels and maintaining a AAA credit rating, the Department's

response addresses the government's short and long term financial policy objectives but does not relate specifically to information on the criteria specified in the question.

Please provide a response to Q1.9 that addresses the criteria cited by the Committee.

As indicated above, the Department's policy advice is framed consistent with the Government's short and long-term financial objectives taking note of the need to ensure that the key financial indicators remain consistent with a triple-A credit rating. The criteria used to make these assessments take into account the likely economic conditions to be faced over the budget and forward estimate period and the criteria used by the ratings agencies in previous assessments of Victoria's triple-A rating. In considering these parameters, comparison is also made with other triple-A rated jurisdictions.

By taking into account these criteria it also ensures that the projected debt to GSP ratio does not become a threat to macroeconomic stability and projected debt does not become excessive.

Standard & Poor's (S&P) considers eight interdependent factors when assessing the credit quality of local and regional governments:

- Economy
- System support and predictability
- Management sophistication and institutional legitimacy
- Financial flexibility
- Budgetary performance
- Liquidity and debt management
- Debt burden
- Off-balance-sheet liabilities

One measure of debt burden considered by S&P's is the ratio of net financial liabilities (net debt excluding advances paid plus superannuation liability) of the non-financial public sector (general government plus government-owned enterprises) to operating revenue.

As publicly stated by S&P's on 17 March 2009, S&P's considers that a ratio of around 130 per cent could trigger a reassessment of the credit rating for Victoria.[612] This trigger point is derived from a number of qualitative assessments on the relative impact and interaction of the seven non-debt burden factors.

The *2009-10 Budget* forecast this measure to be 118.5 per cent by 30 June 2013. The Committee should note that since 30 June 2008 the superannuation liability increased substantially which was largely attributable to the reduction in the discount rate used to value the liability. Without this valuation impact, the ratio would be significantly lower. The increase in the reported superannuation liability arising from the reduction in the discount rate has no impact on the amount of cash required to fund this liability over time.

The Committee should note that the definition of 'net financial liabilities' under this measure is narrower than the definition of 'net financial liabilities' under the accounting standard relating to government reporting as presented on p.68 of Budget Paper No. 2, 2009-10 Budget. The Department of Treasury and Finance is therefore required to compromise between accounting

[612] Source: Standard & Poor's, *RatingsDirect - Credit FAQ: How Stable Is The Credit Quality Of The Australian States?*, 17 March 2009

standards and its understanding of ratings age indicators when discussing maintenance of Victoria's triple-A credit rating.

1.10.3 Regarding the original response to Q1.15 in the Questionnaire

The Committee recognises the Department's comments on the nature of this item and that the specific components are subject to 'future decisions to be made by government in future budgets'. It would appreciate, however, a dissection from the Department of the aggregate contingency, as disclosed in Table 3.3 of Budget Paper No. 2 for 2009-10 and the forward estimates period, of the item's two key components, namely demand contingency and other efficiencies.

The Department of Treasury and Finance reiterates its original response.

1.10.4 Regarding the original response to Q2.1 in the Questionnaire

In relation to providing a list of asset investment projects for which capital expenditure is budgeted to occur in 2009-10, including each project's budget allocation and TEI, the Department's response included a list of three projects with the relevant budget allocation.

Please provide the TEI for the Intra-Government Secured Network, as the other two items are asset funding initiatives for 2009-10, with their TEI disclosed in the Budget.

The TEI for the Intra-Government Secured Network is $7.47 million (refer to 2008-09 Budget Information Paper 1).

1.10.5 Regarding the original response to Q2.4 in the Questionnaire

Refer to the Department's original response to Q2.4 regarding unapplied output and asset funding carried forward to 2009-10.

Please provide the underlying reasons for the Department's funding carryover for the output, Economic and Financial Policy ($14.8m).

Total funding of $24.774 million for 2008-09, 2009-10 and 2010-11 was received from the Commonwealth in 2008-09. The funding is for implementation of the COAG Seamless National economy initiatives in Victoria. No significant implementation costs were incurred in 2008-09. The 2009-10 Victorian Budget allocated $14.774 million in 2009-10 and $10 million in 2010-11. This allocation aligns with the pattern of implementation costs expected to be claimed by relevant Victorian departments.

Please provide the intended revised timing for use of the carried forward funds for the following unapplied output and asset funding:

In accordance with Budget and Financial Management Guidance No. 40, departments cannot carry over a carry over from a preceding year. As such, funds carried over by the Department into 2009-10 from 2008-09 must be spent in 2009-10.

Output carryover

- ***Economic and Financial Policy – (implementation of Seamless National Economy National Partnership) – $14.8m***

The Department is currently assessing departmental bids for 2009-10. The Government is scheduled to consider the Department's recommendations in 2009.

- ***Government Services – Efficient Technology Services – $5.0m***

During 2009 - 10 the ETS project will complete delivery of its Stage 2 - Planning and Development.

- ***Government Services – Ancillary Services – $1.8m***

The Government Services Output carry over funding will be used throughout the 2009-10 financial year.

Asset carryover

- ***Government Services – Intra-Government Secure Network Project – $2.04m***

The Acceptance Certificate for the Network is expected to be issued in October 2009.

- ***Revenue Management Services – Sustainable Revenue Management System – $0.2m***

The carry over will allow the State Revenue Office to engage additional contractor resources to enable analysis, development and testing of the stage deliverable. These deliverables are expected to finish by June 2010.

1.10.6 Regarding the original response to Q3.1 (a) in the Questionnaire

In relation to providing a breakdown of all planned efficiency savings for 2009-10 according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08 and 2008-09 Budgets and in new measures introduced in the 2009-10 Budget, the response indicated that 'The Department will continue to achieve efficiency savings in accordance with the Efficient Government policy.'

Please provide a breakdown of all planned efficiency savings for 2009-10 as per Q3.1 (a).

The Department was able to meet the efficiency savings announced in the 2009-10 Budget, as it is no longer required to fund the public safety activities program conducted by Worksafe Victoria.

Efficiency savings for the Department in 2009-10 arising from previous Budgets are:

- Efficient Government Policy – The Department is to achieve savings by reducing the number of catalogue items in the e-Procurement system to those where the maximum savings are available. Further savings are to be achieved from the Whole of Government's current and new State Purchase Contracts; and
- Other general administrative efficiency savings from across the Department.

APPENDIX 4: RESPONSES TO FURTHER INFORMATION TO BE PROVIDED AND QUESTIONS ON NOTICE RELATING TO THE 2009-10 BUDGET ESTIMATES

Appendix 4 details the Government's responses to requests for further information made by the Committee.

Department of Education and Early Childhood Development

1.1 Children and Early Childhood Development portfolio

1.1.1 Details on the Cairnlea Community Hub and eligibility criteria for funding

Cairnlea Community Hub is a multi-purpose centre which opened in February 2008 in the grounds of the Deer Park Primary School. The hub provides a seamless and coordinated approach to the delivery of learning, care and health services for the children of Cairnlea.

Cairnlea Community Hub provides a range of integrated services for children, young people, families and the community of Cairnlea. These include:

- kindergarten
- outreach maternal and child health services
- occasional care services
- before and after school care services
- playgroups
- a range of other community services and programs

The Cairnlea Community Hub project has been completed at a total cost of $1.4 million comprising:

- $500,000 from the Department of Education and Early Childhood Development's 2005-06 Children's First capital initiative
- $300,000 from the Department of Planning and Community Development's Building Stronger Communities Initiative
- $200,000 from the Commonwealth Department of Infrastructure, Transport, Regional Development and Local Government
- $400,000 from Brimbank City Council.

The eligibility criteria for capital funding for Children's Centres in 2005-06 were:

- Not for profit community based organisation
- Capacity to raise the required capital funding to complete the project and ongoing financial viability
- Capacity and commitment to maintaining and managing services

- demonstrated demand for services
- The application for funding for the Cairnlea Community Hub from the City of Brimbank met all of these criteria.

1.1.1 The final outcome for the number of families receiving enhanced maternal and child health services

The Enhanced Maternal and Child Health Service provides additional support for families experiencing significant early parenting difficulties supports the health and well being of vulnerable children and families.

The service complements the Universal Maternal and Child Health Service to promote the early identification of and intervention for health and developmental concerns particularly for children and families at risk, and to improve linkages with other early childhood support systems including maternity services, family support and early intervention services.

Outcomes for Families 2007-2008

In 2008-09, 8,385 families received an Enhanced MCH service. This is 12 per cent of the total number of families (70,102) with children aged 0–1 year who are enrolled in the universal Maternal and Child Health service.

1.1.2 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

The 2009-10 State Budget includes substantial Federal Government investment in early childhood development in Victoria. This reflects Council of Australian Governments (COAG) agreements in 2008 in line with new Federal financial relations.

The 2009-10 Budget provides Commonwealth Government funding for early childhood development through COAG-agreed National Partnerships, including:

- National Partnership on Early Childhood Education – $210.6 million over five years to support the delivery of universal access to 15 hours per week of early childhood education for all children in the year before school by 2013; and
- National Partnership on Indigenous Early Childhood Development – $22 million over six years will help to improve outcomes for Indigenous children through the establishment of two new Children and Family Centres. This includes $5.3 million over five years, to be administered by the Department of Human Services, for antenatal care services for Indigenous women under 20 and for teenage reproductive and sexual health programs.

The accountability framework for the National Partnership on Early Childhood Education is provided through the Intergovernmental Agreement on Federal Financial Relations and a Bilateral Agreement between the Commonwealth and Victoria. The Bilateral Agreement is the mechanism which outlines the funding payment schedule by the Commonwealth to Victoria, management and implementation requirements and reporting responsibilities.

Two levels of reporting are required of Victoria:

- a half yearly Progress Report, including program activities commenced, program activities completed and a statement of issues of concern that may impact on the achievement of any of the deliverables or performance benchmarks; and
- an Annual Report, including progress against the deliverables and performance benchmarks.

In addition, the National Partnership includes a review, after 18 months, of progress toward achieving the universal access commitment Victoria advocated for this review. The review will assess progress, funding adequacy and timelines.

The Working Group on Indigenous Reform met in early May to draft proposed changes to the National Partnership on Indigenous Early Childhood Development agreement and an implementation plan template for consideration by the Council of Australian Governments. Victoria will provide reports to the Commonwealth that detail progress against performance, milestones and timelines, as outlined in the proposed revised National Partnership Agreement and implementation plan once agreed by Council of Australian Governments.

1.1.3 Question referred by the Minister for Education: The number, compared to the targets in pages 80 and 81 of Budget Paper No. 3, of students who currently require additional support and the number that receive disability support The final outcome for the number of families receiving enhanced maternal and child health services

In 2008 the Program for Student with Disabilities aimed to support 3% of the government school student population. In 2008 this equated to 18,226 students. This target was met.

1.2 Education portfolio

1.2.1 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio , and detail the accountability measures employed to deal with those grants

In 2009 the Council of Australian Governments (COAG) introduced a new framework governing financial arrangements with the States.

Under the new arrangements, the majority of Federal funding is now allocated to each State Treasury under National Education Agreements, Assistance to Non-Government Schools, *Nation Building – Economic Stimulus Plan* and National Partnerships. This funding forms part of the overall State Budget appropriation as outlined in Budget Paper No. 4, page 209. Federal funding to the Department of Education and Early Childhood Development will be restricted to Commonwealth Own Purpose Expenditure payments.

A key element of the reforms is a shift in focus to the achievement of outcomes. The new national agreements replace input controls with a rigorous focus on the achievement of objectives and outcomes. Victoria will provide reports to the Commonwealth which detail progress against agreed reform milestones and timelines.

1.2.2 Advice on the availability and comparability of regional and rural school performance data for year 12 completions

Currently in Victoria there are two measures of Year 12 completion:

Measure 1: Australian Bureau of Statistics (ABS) – Survey of Education and Work

From this survey, an estimate of the number of 20–24 year olds that have completed Year 12 can be obtained. By dividing the Estimated Residential Population (ABS), it is possible to obtain a completion measure. The limitation of the measure is that is based upon a sample survey, there is delay associated with obtaining the measure (Age of participants being 20–24 years), and the measure is affected by interstate/overseas migration.

Measure 2: Department of Education and Early Childhood Development (DEECD)

Based upon administrative data from the Victorian Curriculum and Assessment Authority (VCAA) and Skills Victoria, DEECD currently has a completion measure for Year 12 or equivalent. The measure is calculated by the number of 19 year olds completing Year 12 or equivalent divided by the number of 17 year olds in the population from two years previous. The limitation to this measure is that it is not possible to obtain a school completion rate.

To obtain a measure that can be used at both a state level and the individual school level a new methodology is being developed for use in 2012. The proposed calculation methodology of the measure will be:

$$\text{\% Year 12 Completion Rate} = \frac{\text{Number of Year 9 Cohort students that subsequently complete Year 12 or equivalent}}{\text{Number of Year 9 Cohort students}}$$

The Year 9 cohort would be defined as those students that participated in Year 9 NAPLAN testing. Year 12 or equivalent completion would be defined as a student completing a VCE, VCAL (Intermediate or Senior) and VETiS (AQF 2 or higher) Certificate.

The source data for the proposed measure are the National Assessment Program – Literacy and Numeracy, the VCAA and Skills Victoria.

1.2.3 Regarding school maintenance and rebuilding programs, please provide further information on how depreciation and amortisation will be accounted for over time

Depreciation and amortisation expenses are reported over time on all assets, based upon the estimated useful life of each asset, currently between three years for plant and equipment and up to sixty years on buildings.

Assets are only recognised when expenditure meets capitalisation criteria as defined by Australian Accounting Standards.

Maintenance expenditure does not meet the capitalisation criteria of the accounting standards as it is seen as day-to-day servicing costs of existing assets, where as rebuilding expenditure will result in asset recognition as it clearly meets the capitalisation criteria.

Therefore depreciation expenses will be reported annually going forward on rebuilding program expenditure generally at the rate of 1.7 per cent per annum, being one year of the estimated useful life of sixty years.

1.2.4 Policy background information on the Government's approach to narrowing the gap between city and rural year 12 completion rates

A number of Government initiatives aim to improve completion rates of year 12 or equivalent across all geographic areas , through expanding the education and training options available for young people as well as offering support for their choices and continued engagement.

All regions have established plans to coordinate provision of both Vocational Education and Training in Schools (VETiS) and the Victorian Certificate of Applied Learning. Additional funding has also been provided for VETiS delivery. The Commonwealth Government's support for establishment of Trade Training Centres has been strongly taken up in Victoria with over $30 million of funding allocated to government schools in rural or regional areas. Young people under 20 years of age who have not completed Year 12 or equivalent and are not in schools are entitled to a place in TAFE Institutions or selected adult community education providers.

All young people in government schools are assisted through the Managed Individual Pathways program, and through extended responsibility placed on schools for supporting their students to meaningful post-school pathways. Local Learning and Employment Networks and Regional Youth Commitments cover the State and work with relevant local partners to improve outcomes of local young people. In some of the most disadvantaged areas, Youth Transition Support Initiative workers, including some specifically charged with working with indigenous young people, provide one-on-one assistance to re-connect disengaged young people back into employment, education or training.

1.2.5 Details, including possible school closures, of school regeneration projects included in the 2009-10 State Budget.

Regeneration projects involve two or more schools reorganising education provision in their communities. Such reorganisation can involve mergers along with co-location of community, early years and other services. Decisions regarding mergers are always made by the school communities involved. Regeneration projects included in the 2009-10 State Budget include:

- Altona Bayside Education Precinct – four schools on six sites have reorganised into two schools on four sites
- Bendigo Education Plan – five schools have reorganised into four schools
- Broadmeadows Schools Regeneration Project – seventeen schools will reorganise into 11 schools on 13 sites
- Leongatha Education Precinct – three existing schools will be located on the same site, along with other education providers (TAFE, kindergarten, etc)
- Laverton – three schools have reorganised into one school on one site
- Maroondah Education Coalition – seven schools will reorganise into the five schools on five sites , each with its own specialism
- Heidelberg Regeneration Project – six schools will reorganise into three schools on three sites
- Keysborough/Springvale – four schools have reorganised into one school on two sites
- Wangaratta – two schools have merged into one school on two sites
- Wodonga – three schools will reorganise into two schools on three sites

1.2.6 Details of the result for 2008-09, of the computer-to-student ratio output targets as set out on pages 74 and 75 of Budget Paper No. 3

As audited student numbers for 2009 have not been finalised, the 2009 computer-to-student ratio has not been determined. The 2008 Victorian government school average computer-to-student ratio was 1:3.43.

1.2.7 Regarding the Federal commitment to provide a computer for every secondary student in years 9 to 12 by 2011 , outline the ratio of computers-to-students in this category at the time that the Federal Government introduced this target , the current ratio , and clarification on how the Federal funding is being used , ie. putting new computers into the system or replacing old computers.

The DEECD School Census of Computers does not attribute devices to an individual school year level. The 2008 state-wide computer-to-student ratio for secondary schools was 1:3.51.

The 2009 computer-to-student data is not yet available.

The National Secondary School Computer Fund allocations for Rounds 1, 2 and 2.1 provide for the purchase of 44,311 computer devices to achieve a computer to year 9 to 12 student ratio of 1:2. This will replace 11,242 existing devices that are greater than four years of age and add 33,069 devices to the fleet.

1.2.8 The number, compared to the targets in pages 80 and 81 of *Budget Paper No. 3*, of students who currently require additional support and the number that receive disability support.

This question has been referred to the Minister for Children and Early Childhood Development for response.

1.2.9 A comprehensive list of the State Government's investment in non-government schools.

The Victorian Government provides significant support to non-government schools.

In 2009-10 the Victorian Government has committed $432 million in recurrent and specific purpose funding to non-government schools comprising:

- almost $424 million in recurrent funding to assist non-government schools to meet operational costs allocated through the Financial Assistance Model (FAM)
- $8 million in specific purpose grants for targeted programs such as support for students with special needs and suicide prevention initiatives.

In addition, $27.4 million in 2009-10 will be provided for capital works in needy non-government schools.

The following education support initiatives are also provided to assist parents of students attending non-government schools:

- the *School Start Bonu*s provides $63 million out of a total commitment of $182 million over five years to parents of children attending non-government schools
- access the Government's conveyance allowance and school bus service
- all low income parents are supported by the Education Maintenance Allowance.

Non-government schools can also access a range of resources and opportunities available to government schools, including:

- teacher professional development and curriculum planning materials
- government-negotiated pricing for broadband access
- a range of taxation concessions or exemptions including Land Tax, Payroll Tax and Fringe Benefits Tax.

1.2.10 The estimated annotated receipts to be obtained from possible land sales as a result of school closures over the forward estimates period.

The Department's estimated annotated receipts from land sales is $8.0 million per annum in 2009-10 and over the forward estimates period.

1.2.11 Regarding both Government and non-government schools , please provide a detailed explanation of how the prioritisation system for determining infrastructure funding works to address inequality or inequity, including how funding decisions are made and information on the assessment criteria used.

Government schools

Building Futures is the Government's policy and process for all Victorian Government capital investment in school facilities and infrastructure.

It guides investment in Victorian school infrastructure and facilities and ensures that expenditure on educational assets generates significant gains in student educational achievements. The *Building Futures* process supports the Department of Education and Early Childhood Development in delivering the Government's Victorian School Plan commitment to rebuild or modernise every Victorian government school within 10 years.

Projects funded under the Commonwealth's *Building the Education Revolution* program are exempt from the *Building Futures* process.

There are six *Building Futures* process stages:

- Project Identification
- Educational Rationale
- Master Planning
- Prioritisation and Approval
- Implementation
- Evaluation.

Five *Building Futures* assessment criteria are used to test whether the proposed projects are appropriate, feasible, sustainable, comprehensive and accountable. The criteria govern whether projects can progress between the process stages.

Currently, there are approximately 229 schools progressing through the various stages of *Building Futures.*

Non-government schools

The Victorian Government provides funding to non-government schools for capital works through two programs, both of which target needy non-government schools.

In the 2007/08 Budget, the Victorian Government announced $30 million in grants over four years to assist needy non-government schools upgrade or replace outdated or inadequate educational facilities to improve educational outcomes.

The quantum of funds available was split between the Catholic and Independent sectors on the basis of need as determined by the 'needs component' of the Victorian Government's Financial Assistance Model (FAM) for non-government schools for 2007.

The Catholic sector's share was 73.8 per cent representing $22.14 million of the total funding; and the Independent sector's share was 26.2 per cent representing to $7.86 million of the total funding.

To be eligible for funding under the program, a school must have an enrolment profile that places its students in the top 33 per cent of needy students as determined by the FAM. The FAM **assesses** need based on the following four criteria:

- student family background (i.e. number students in receipt of the Education Maintenance Allowance)
- students with a disabilities
- Aboriginal and Torres Strait Islander background
- rurality and isolation of the school.

Sector authorities are required to submit a list of recommended projects for approval prior to funding being allocated.

In late 2008, the Victorian Government announced a further $53.5 million over two years in grants to upgrade school buildings and free-up capital funds to help meet additional operational costs in non-government schools. The quantum of funds available was split between the Catholic and Independent sectors on the basis of need as determined by the needs component of the Victorian Government's Financial Assistance Model for non-government schools (FAM) for 2008.

The Catholic sector's share of funding was 72.6 per cent, representing $38.9 million and the Independent sector's share was 27.4 per cent, representing $14.6 million. An initial payment of $33.6 million was provided to the sector authorities in December 2008, with the remaining $19.9 million to be made in October 2009. The Catholic Education Commission of Victoria and Association of Independent Schools of Victoria are required to demonstrate that their method of allocating capital funding to their respective schools is consistent with the Government's objective for the program, which is to assist needy non-government schools.

Additional question on notice referred by the Premier

1.2.12 Details of funding to support refugee students within the Victorian school system.

The Department of Education and Early Childhood Development (DEECD) places a high priority on supporting the additional needs of refugee students. A range of strategies have been implemented to better enable refugees to achieve successful education outcomes and participate in pathways toward further education and employment.

Support for refugee and newly arrived students in government schools is detailed in the 2008 publication: *Strengthening Outcomes – Refugee Students in Government Schools.* This publication assists schools, communities and families to understand the situation of refugee students in schools and the assistance that is available to address their needs.

In 2009, $3 million is available for transition support initiatives aimed at supporting the transition of students from intensive English language programs to mainstream schooling. These funds have been allocated by regional offices to individual schools and networks to support transition programs.

A total of $6.5 million over four years was committed in the May 2008 budget through the *School Support for Refugees* initiative to address the significant levels of disadvantage experienced by refugee students. This initiative supports out of school hours programs for refugees and professional learning for school communities.

Full-time regional program officers have been funded ($1 million annually) in each region to support schools in planning for newly arrived students, including refugees and to build teacher capacity through professional learning.

Funding for five schools through A *Fairer Victoria* for *Foundation VCAL for Refugee Students* is being delivered from 2007-2010 providing funding of $300,000 annually.

Extra transition coordinator positions are funded in English Language Schools/Centres to support refugee students and their families with transition into mainstream schools.

DEECD works with a range of other government departments and outside agencies, participating in planning and policy committees to promote coordinated support and services for refugee students. Representation on committees and regular consultation includes such external organisations as: Centre for Multicultural Youth; the Victorian Settlement Planning Committee; Catholic Education Office; Association of Independent Schools Victoria; Victorian Foundation for Survivors of Torture; Adult Multicultural Education Services; Victorian Multicultural Commission; universities and Migrant Resource Centres.

A resource *Developing Effective ESL Programs – Disrupted Schooling* has been trialled and will be available late 2009 for regions to support schools with refugee students.

An English as a Second Language Strategy Plan 2009-2013 is currently being developed and includes priority action areas for improving the transition to mainstream schooling for refugee students after intensive English language tuition. This is due for completion in late 2009.

Department of Human Services

1.3 Community Services portfolio

1.3.1 In relation to Budget Paper 3, pages 110 and 111 , further information in relation to the additional Commonwealth Government funding and how it is reflected in the increases in funding.

An additional $15.5 million in Commonwealth funding is being provided in 2009-10 for Disability Services, on top of $25.2 million provided after the 2008-09 budget under the Commonwealth's Disability Assistance Package. These amounts are spread over the four major output groups, and contribute to the total increase of $112.4 million in the 2009-10 Disability Services budget over the 2008-09 budget.

1.3.2 Breakdown of funding provided to the non-government disability sector in relation to residential accommodation services and DHS services, and an explanation of the disparity, should it exist.

Funding allocated to residential accommodation services output in 2007-08 were:

- DHS services – $382.5 million
- Non-government disability sector – $214.7 million

DHS services expenditure was more than non-government disability sector because:

- DHS has a larger service delivery capacity and therefore incurs a higher level of expenditure. For example, Residential Institutions are entirely operated by DHS.
- DHS expenditure relates to a full cost that includes Capital Asset Charge, depreciation, client related costs and corporate infrastructure and other costs attributed to the Residential Accommodation Support output. The comparison between non-government organisations and DHS would need to review agency or sectors annual reports to gauge the full cost of non-government residential accommodation.
- Non-government organisation staff are not covered under the same wage award as DHS staff, and the exemption of non-government organisations from payroll tax contributes further to the cost difference.

1.3.3 The cost per place of non-government organisations versus DHS places.

An indicative average 2007-08 cost per place of non-government organisations is approximately $91,000 compared to approximately $119,000 for a DHS place.

However, an average cost per place of non-government versus DHS is not comparable for the following reasons:

- Costs can vary significantly with service model, configuration and complexity relating to the age, behaviour, medical and/or other specific support needs of residents.

- The DHS indicative average cost per place includes places in Residential Institutions, whereas the non-government cost per place does not include this service model.
- The DHS indicative average cost per place is also based on the full direct service cost to DHS. The non-government cost per place is not a full cost because it reflects only the revenue from government funding, and non-government organisations access other non-DHS revenue to fund places, such as client fees and other own-source revenue.
- Non-government organisation staff are not covered under the same wage award as DHS staff, and the exemption of non-government organisations from payroll tax contributes further to the cost difference.

1.3.4 The number of child protection staff employed by DFHS that have direct contact with children and an estimate of the number of child protection staff that will have direct contact with children for the forward estimates.

Whilst it is not possible to give a precise figure, the overwhelming majority of the child protection staff employed by the department have direct contact with children.

The number of child protection staff having direct contact with children will be maintained across the forward estimates.

1.3.5 A breakdown of VPS staff.

Breakdown of VPS staff number information provided in Budget Estimates questionnaire response:

DHS VPS Staff numbers (FTE)	**Total**
Snr Technical Specialists	11
VPS-1	44
VPS-2	594
VPS-3	703
VPS-4	884
VPS-5	1,282
VPS-6	726
Estimated June 2009 total	**4,243**

1.3.6 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

Under the existing arrangements, the department would receive Commonwealth Government payments into its administered entity; transfer the dollar value of the receipt to the Consolidated Fund and then using appropriation authority under Section 29 of the Financial Management Act 1994 (FMA) drawdown an equivalent amount into its controlled entity to meet expenditure. Where a new Commonwealth SPP is established during the year, access to funds may be provided by Governor-in-Council approval under Section 10 of the Financial Management Act.

For new partnership agreements, funds will now be paid centrally to DTF by the Commonwealth Treasury. For payments received post 1 January 2009, DTF will receive a total payment from the Commonwealth and transfer this amount to the Consolidated Fund. Once the payment has been

received, DTF will inform the department of specific funding details using information provided by the Commonwealth Treasury.

Once the department has been notified of the amounts notionally received for each agreement, the department can then use the Section 29 authority to draw the equivalent amount from the Consolidated Fund in line with the pre-January 2009 arrangements.

Section 29 of the FMA relates to monies received by departments from third parties under an agreement with the Treasurer. It allows a department to increase its appropriation by amounts equal to receipts provided that there is a Net Appropriation (Receipts Retention) Agreement in place.

A Net Appropriation (Receipts Retention) Agreement is signed by the Treasurer and the relevant Minister. The department's budget is adjusted in accordance with the actual receipts for the year.

The Treasurer will be required to report total expenditure for National Partnerships, stating both expenditure of Commonwealth project and facilitation funding and State co-contributions where these are required by the National Partnership, to the Ministerial Council for Federal Financial Relations within six months of the end of each financial year. This information is expected to be collected as part of the annual Financial Report for the State of Victoria data collection exercise, and more information on the level of details and format for the provision of this information will be provided at a later stage.

Federal funding in Children, Youth and Families:

Educational support for children and young people in residential care ('CIRC')

- Funding is for the provision of individualised educational support for children and young people in residential out of home care services.
- In 2008-09 funding of $1.9m has been allocated by the Commonwealth for this program.
- The Department of Human Services (DHS) co-ordinates reports from all Community Service Organisations (CSOs) delivering a CIRC funded service that is provided to the Commonwealth annually.
- The annual data collection process is a count of the number of clients receiving the services, and the core use of these funds.

Refugee Minor program

- Funding is provided to the Refuge Minor program which aims to assist 'unaccompanied' young people and children, up to the age of 18 years, with their settlement and establishment into life in their new community through a casework-based approach.
- The Refugee Minor Program provides the provision of direct services to clients to assist them, (and their relatives or carers), to develop key settlement competencies whilst also establishing and maintaining partnerships with other key agencies in the community. Some of these agencies include the Victoria Police Multicultural Liaison Unit, Centre for Multicultural Youth Issues, Department of Immigration and Multicultural Affairs (DIMIA), the Sudanese Community Association of Australia and local governments.
- Clients can be given assistance on a wide range of issues ranging from accommodation and financial support, to physical and emotional health needs, cultural and religious continuity, education, provision of support (re Refugee Application Process), social and recreational needs; and developing or maintaining client/family connectedness.
- In 2008-09 funding of $0.98m has been allocated by the Commonwealth for this program.

- The accountability requirements are a quarterly report about the number of clients being supervised.

Capital Funding for Indigenous Family Violence Healing and Time out services

- In June 2005, the Commonwealth Government and DHS entered into a Memorandum of Understanding under which the Commonwealth agreed to provide $4.95m to establish seven capital projects to provide Indigenous Family Violence Healing and Time out facilities across Victoria as part its Family Violence Partnership Program (FVPP).
- All projects will be completed and funding expended by the end of 2010.
- DHS provides an annual financial acquittal to the Commonwealth as well as regular progress reports on these capital projects.

Other Commonwealth Funding:

- In 2009 the Australian Government also provided $50,000 under the FVPP to DHS for the provision of Indigenous Family Violence programs. A report in relation to how funds were expended to achieve project outcomes will be provided to the Commonwealth on completion of the project.

Federal funding in Disability Services:

The Disability Services program receives funding through the new National Disability Agreement and the associated Disability Specific Purpose Payment (SPP) which came into effect on 1 January 2009.

In 2009-10, Commonwealth funding to Victoria through the Disability SPP will be $208.2 million. This incorporates previous funding for disability services under the CSTDA of over $148 million.

It also includes funding under the bilateral agreement for the Disability Assistance Package, Respite building capacity, targeted support, and young people in nursing homes. In 2009-10 highlights of the bilateral agreement funding included an increase of $15.5 million for the Disability Assistance Package for additional individual support packages and respite services, and an additional $2.5 million Commonwealth contribution to the my future my choice initiative which will be matched with a $3.1 million contribution from the State.

The public accountability and performance reporting frameworks for the National Agreements are set out in Schedule C of the Intergovernmental Agreement on Federal Financial Relations (IGA).

The performance reporting framework is based on:

- High-level performance indicators for each National Agreement;
- The Steering Committee for the Review of Government Service Provision having overall responsibility for collating the necessary performance data; and
- The COAG Reform Council publishing performance data relating to National Agreements. The COAG Reform Council will report annually to COAG, with its reports to be made public.

Accountability for expenditure of National SPP monies is covered under Schedule D of the IGA which requires:

- States and Territories to spend each National SPP in the relevant service sector but with full budget flexibility to allocate funds within that sector as they see fit to achieve

mutually agreed objectives. There are no conditions attached with respect to how States and Territories allocate their own funding within or across sectors.

- Each State and Territory Treasurer will provide a report to the Ministerial Council for Federal Financial Relations within six months of the end of every financial year disclosing financial information with respect to gross expenditure in the relevant service sector, how much of the relevant National SPP was spent in the relevant service sector, and explaining any discrepancy.

1.4 Health portfolio

1.4.1 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

Under the existing arrangements, the department would receive Commonwealth Government payments into its administered entity; transfer the dollar value of the receipt to the Consolidated Fund and then using appropriation authority under Section 29 of the Financial Management Act 1994 (FMA) drawdown an equivalent amount into its controlled entity to meet expenditure. Where a new Commonwealth SPP is established during the year, access to funds may be provided by Governor-In-Council approval under Section 10 of the Financial Management Act.

For new partnership agreements, funds will now be paid centrally to DTF by the Commonwealth Treasury. For payments received post 1 January 2009, DTF will receive a total payment from the Commonwealth and transfer this amount to the Consolidated Fund. Once the payment has been received, DTF will inform the department of specific funding details using information provided by the Commonwealth Treasury.

Once the department has been notified of the amounts notionally received for each agreement, the department can then use the Section 29 authority to draw the equivalent amount from the Consolidated Fund in line with the pre-January 2009 arrangements.

Section 29 of the FMA relates to monies received by departments from third parties under an agreement with the Treasurer. It allows a department to increase its appropriation by amounts equal to receipts provided that there is a Net Appropriation (Receipts Retention) Agreement in place.

A Net Appropriation (Receipts Retention) Agreement is signed by the Treasurer and the relevant Minister. The department's budget is adjusted in accordance with the actual receipts for the year.

The Treasurer will be required to report total expenditure for National Partnerships, stating both expenditure of Commonwealth project and facilitation funding and State co-contributions where these are required by the National partnership, to the Ministerial Council for Federal Financial Relations within six months of the end of each financial year. This information is expected to be collected as part of the annual Financial Report for the State of Victoria data collection exercise, and more information on the level of details and format for the provision of this information will be provided at a later stage.

There are a number of existing and developing agreements between the Commonwealth and the states. Funding for the Victorian health system is, in significant portion, derived from Commonwealth funding. The accountability measures for each funding stream differ markedly. In some cases an accounting acquittal is required for the money allocated, in other, measurement of performance or particular reporting processes are mandated.

The Ministerial Council for Federal Financial Relations has been tasked by the Council of Australian Governments (COAG) with the development and oversight of the new National Performance Reporting System, in consultation with relevant COAG Working Groups and Ministerial Councils.

The objective of the performance reporting system is the implementation of a framework which focuses on the achievement of results, efficient service delivery and timely provision of publicly available performance information.

The Productivity Commission's Steering Committee for the Review of Government Service Provision is responsible for collating and preparing the National Agreement performance data for the COAG Reform Council (CRC).

CRC will provide annual reports to COAG containing the performance data and report its own comparative analysis of the performance of governments in meeting the objectives of the National Agreements. The CRC will be the independent assessor of whether pre-determined milestones and performance benchmarks have been achieved before an incentive payment to reward nationally significant reforms or service delivery improvements under a National Partnership reward payment is made. The final decision on payments will be made by the Commonwealth.

Full details of the Commonwealth budget is available at http://www.health.gov.au/internet/budget/publishing.nsf/Content/budget2009-healthindex.htm

The following National Partnerships Agreements (NPA) affect rural and regional health funding in the following areas:

- Preventative Health;
- Essential Vaccines;
- Health Services (which includes: Victoria Cytology Service, OzFoodNet, Pneumococcal disease surveillance and Vaccine-preventable diseases surveillance program;

The Commonwealth dental health allocation to Victoria is subject to a senate decision on the cessation of an existing funding Medical Benefits Scheme allocation.

The National Healthcare SPP will now cover several existing funding agreements including:

- Healthcare grants;
- National public health;
- Youth health Services; and
- Essential vaccines (service delivery).

The total allocation for Victoria under the National Healthcare SPP is approximately $2.7 billion. The Commonwealth will provide advances to the States in respect to National SPPs, based on estimates of the growth factor. Once outcomes data for each component of the growth factor is available, a balancing adjustment will be made to ensure that the States receive their correct entitlement.

The budget amounts under the National Healthcare NPA are notional allocations at this time as the final agreement is currently being negotiated along with associated performance measures.

In addition, there are a number of other NPAs that impact health programs, with the most significant being:

- Hospital and Health Workforce Reform, incorporating: Activity Based Funding, Taking Pressure off Public Hospitals, and Enhancing the provision of Sub-Acute Services; and
- Closing the Gap in Indigenous Health Outcomes.

The following 2008-09 allocations have been made by the Commonwealth Government in the areas of Primary Health and Public Health:

Program	**Grant**	**2008-09 Budget $**	**Accountability Measures**
Public Health	Bowel Cancer Screening Pilot	133,000	Victoria must provide the commonwealth with an annual acquittal that includes a Statement of Compliance and a Statement of Revenue and Expenditure.
Public Health	Public Health Funding Agreement (PHOFA) Public Health	26,614,588	The Public Health Outcome Funding Agreement (PHOFA) requires Victoria to provide a report on performance against a range of financial and performance indicators. Victoria must also provide an annual acquittal that includes a Statement of Compliance and a Statement of Revenue and Expenditure.
Public Health	Australian Immunisation Agreement (AIA)	105,668,928	Victoria must provide the Commonwealth with an annual acquittal that includes a Statement of Compliance and a Statement of Revenue and Expenditure. Victoria must also submit a request for incentive funds and any rollover of time limited funding.
Public Health	Hepatitis C	508,024	Victoria must provide the Commonwealth with an annual acquittal that includes a Statement of Compliance and a Statement of Revenue and Expenditure.
Public Health	Food Surveillance	197,974	Victoria must provide the Commonwealth with quarterly reports and an annual report on performance against a range of performance indicators in relation to food borne disease in Victoria. Victoria must also provide an annual acquittal that includes a Statement of Compliance and a Statement of Revenue and Expenditure.
Public Health	Environmental Health Risk Assessment	200,000	Victoria must provide the Commonwealth with an annual acquittal that includes a Statement of Compliance and a Statement of Revenue and Expenditure.
Primary Health	Innovative Health Services for Homeless Youth (ISHY)	649,000	Victoria must provide the Commonwealth with an annual acquittal that includes a Statement of Compliance and a Statement of Revenue and Expenditure.
Primary	Public Health Funding	4,126,350	The Public Health Outcome Funding

Health	Agreement (PHOFA) Women's Health		Agreement (PHOFA) requires Victoria to provide a report on performance against a range of financial performance indicators. Victoria must also provide an annual acquittal that includes a Statement of Compliance and a Statement of Revenue and Expenditure.

1.4.2 Further information regarding the rollout of additional ambulance services, including the asset investment program and additional paramedics.

To date the Government funding of $185.7 million in the 2008-09 State Budget for ambulance services has enabled Ambulance Victoria to:

- Employ 132 additional paramedics to:
  - Commence operation of six 24 hour services in Box Hill, Croydon, Laverton, Hillside, Frankston and Dandenong;
  - Establish new 12 hour peak period crews at Berwick, Ivanhoe, Patterson Lakes, Prahran, Pakenham, Coburg, Hallam, Bacchus Marsh, South Morang, Abbotsford, Yarra Junction and Frankston;
  - Upgrade service delivery at Beaconsfield and Greensborough through conversion of the peak period units to 24 hour operation;
  - Place additional paramedics at Gisborne, Kilmore, Kyneton, Woodend, and Colac;
  - Place paramedics at Anglesea, Timboon, Apollo Bay, Mirboo North and Alexandra;
- Expand helicopter retrieval services for adults, children and babies to a new 24 hour service and provide a brand new helicopter, based at Essendon, accommodating specialist retrieval equipment;
- Establish a new emergency helicopter service at Warrnambool – to commence operations 1 July 2009;
- Complete construction of a new ambulance branch at Lara and commence construction works for a new facility at Daylesford and a hanger facility at Warrnambool;
- Commence building renovations work at Ballarat, Norlane and Stawell while renovation works have been completed at Cheltenham and Sunbury;
- Commence building processes for new branches a!: Belmont, Lismore, Yea, Warragul, Wonthaggi, Anglesea, Timboon, Apollo Bay, Hamilton, Neerim South, Mirboo North, Alexandra, Warrnambool, Hastings, Pakenham, Knox, Frankston, Gisborne and Woodend; and
- Purchase an extra 44 ambulance vehicles to support above expansion/upgrading of services.

1.4.3 Details of recent or current reviews of ambulance service delivery in country Victoria.

In 2006 the State Services Authority Review of the former Rural Ambulance Victoria (RAV) recommended that the service take steps to ensure it is more closely integrated with the broader health services sector including policy, program development and service delivery.

This recommendation built on previous work undertaken for RAV which had identified priorities for ambulance service development investments in rural and regional Victoria based on a range of analyses and planning criteria.

The merger of the former RAV, the Metropolitan Ambulance Service and the Alexandra District Ambulance Service into a single service – Ambulance Victoria – has created the opportunity to review the service delivery investment, especially in rural Victoria, Ambulance Victoria is currently evaluating tenders from potential providers for a piece of work that will assess the future level of demand for ambulance services in rural Victoria to 2014/15 and review the comprehensive analysis and planning approach currently in place.

1.4.4 Further examples of health protection and health advancement measures, including primary prevention, secondary prevention, diversion programs and other behavioural change work.

The following are examples of primary and secondary prevention and diversion programs within the health portfolio. These programs are funded through the Acute Health Services; Public Health; and Primary and Dental Health output groups.

Primary Prevention:

Immunisation

The Immunisation Program coordinates the immunisation provision in Victoria including the procurement and distribution of vaccines according to the National Immunisation Program schedule, The Program in partnership with its stakeholders and service providers:

- promotes high standards of delivery services
- promotes high levels of immunisation coverage
- supports immunisation to high risk groups, and
- supports community awareness of the necessity for and benefits of routine immunisation.

Life! Taking Action on Diabetes

The *Life! – Taking Action on Diabetes* (Life!) program is the Victorian Government's type 2 diabetes prevention initiative, which aims to arrest the increase of diabetes in Victoria by providing an Intensive community-based lifestyle behavioural change course for Victorians. The Life! program is an evidence-based program for people aged 50 years and over and Aboriginal adults aged 18 years and older, who are identified as being at high risk of developing type 2 diabetes. The course provides participants with useful tools and techniques to change their lifestyle and reduce their risk of developing type 2 diabetes.

Primary Health Integrated Health Promotion

About one third of the funding to Community and Women's Health Services is specifically for integrated health promotion. This represents over $35 million of funding to over 100 agencies. Primary Health integrated health promotion requires funded agencies to work together with partner organisations to deliver a planned mix of health promotion interventions which includes primary, secondary and tertiary prevention, The interventions address local health and wellbeing priority issues and target specific population groups in most need. Priority issues are based on the Victorian state-wide health promotion priorities approved by the Minister for Health. The majority of effort is focussed on:

- promoting physical activity and active communities
- promoting accessible and nutritious food, and
- promoting mental health and wellbeing.

Community Health services are also funded to deliver a range of primary health services which can include specific programs such as Early Intervention in Chronic Disease (EICD), Healthy Mothers Healthy Babies, Kids Life! and Diabetes self management. Additionally many of the services delivered by Community Health would include a health education component which could be classified as prevention activity.

Secondary prevention:

Early Intervention in Chronic Disease (EICD)

The EICD program is an example of a secondary prevention initiative with total annual funding in 2008-09 of $12.5 million. This initiative is a key component in the broader work being undertaken in health service system reform. It provides additional funding to primary health care agencies to increase service delivery and to build in new components that are consistent with evidence-based chronic care.

Diabetes Self Management

Since 2006-07, the Diabetes Self Management program has been established in rural Victoria. This program, part of the State's commitment under the Australian Better Health Initiative (ABHI), is targeted at people newly diagnosed with Type 2 diabetes and aims at building the client's self efficacy in the management of their diabetes. Funding for this program over 4 years is $3.1 million.

Kids – Life!

Kids – Life! is a targeted *Go for Your Life!* initiative supporting a healthy lifestyle for families. It provides childhood obesity intervention for families with children aged five to 12 years who are overweight or obese. The initiative will be locally managed by nominated Primary Care Partnerships that will support service coordination, program recruitment and workforce development in children's weight management. Lifestyle change programs will be delivered through Community Health services.

Healthy Mothers, Health Babies

The Healthy Mothers, Healthy Babies Initiative was funded in the 2008-09 State Budget. A total of $8.3 million over four years has been allocated to develop, implement and evaluate the program. The Healthy Mothers, Healthy Babies program targets pregnant women who are unable to access antenatal care services or require additional support because of their socioeconomic status, culturally and linguistically diverse backgrounds, Aboriginal and Torres Strait Islander descent, age or residential distance to services, The focus of the Healthy Mothers, Healthy Babies program is to support women who are pregnant, not to manage the pregnancy. The program is not a clinical antenatal care service but rather provides support, linkages and education.

Diversion program:

Hospital Admission Risk Program (HARP)

Developed in 2001 as part of the broader Hospital Demand Management Strategy, HARP services manage people with chronic disease, aged and/or complex needs who frequently use hospitals or are at risk of hospitalisations. The key objectives of HARP are:

- improve patient outcomes
- provide integrated seamless care within and across hospital and community sectors
- reduce avoidable hospital admissions and emergency department presentations, and
- ensure equitable access to healthcare.

HARP was evaluated in 2005 and in general, HARP clients experienced:

- 35 per cent fewer emergency department attendances
- 52 per cent fewer emergency admissions, and
- 41 per cent fewer days in hospital.

There are 22 HARP services across Victoria. In 2008-09 HARP had a state-wide budget of $65 million.

1.4.5 Update on the Rural Maternity Initiative (RMI).

Almost $9 million ($8.98 million) will have been allocated under the Rural Maternity Initiative (RMI) from 2003 to 2011. This funding aims to support health services to develop services and programs that contribute to sustainability of maternity services and improve access for rural women to care in their own community.

Of this, $1.26 million will be allocated in 2009-10 to rural health services to implement and maintain a range of programs and maternity care models that contribute to sustainability. Many of these initiatives involve collaboration between clinicians and/or health services – a key factor in ensuring viability of services.

An evaluation of the first three years of the RMI was undertaken in 2007 and indicated that the initiative had demonstrated enhanced sustainability of rural maternity services, and improvements in workforce, clinical outcomes and women's satisfaction, amongst other benefits. A more recent evaluation has confirmed these findings.

One of the collaborative projects under the initiative is the Wimmera sub-regional maternity group; this group is made up of seven hospitals in the Wimmera area and meets regularly to discuss clinical and .workforce issues. It shares education resources and sessions, documentation, policies and protocols. This sharing of resources enables an ongoing maintenance of skills in hospitals where the birth umbers are low and improved clinical practice across all services.

1.4.6 Details of the performance monitoring framework and reporting of hospital performance data, including copies of relevant reports since July 2008.

The Integrated Performance and Activity Report (IPAR) is an indicative report that the department prepares periodically based on unaudited data derived from unit record information provided by health services. Its purpose is to provide preliminary data on hospital performance for discussions between the department and health services on performance issues and performance improvement.

The data that forms the basis for the report is updated continually as a patient moves through the system and as progress is recorded by health services. At the conclusion of each financial year, once audit checks have been concluded, a definitive dataset is finalised which is used for reporting purposes. Significant portions of the unit record data may change throughout a patient's progress

reliance on older concrete and other non-economic dwellings in both broad-acre and high rise/walk-up estates.

Supply and Demand analysis:

The Department undertakes acquisition and disposals based on an assessment of the level of client need, and supply. This process involves identifying demand for and supply for a affordable housing in a given area, taking into account factors such as household demographics, the number of applications for public rental housing over the last 3 years, the number of Commonwealth Rent Assistance recipients paying more than 30% of their income in rent, and the level of affordable private rental accommodation. These factors are benchmarked against state-wide averages. Acquisitions are now reflecting changing client profile, shifting away from 2 bedroom properties to housing for singles and small families.

From this assessment, the department refines acquisition plans by taking into account the existing, planned and proposed capital program, as well as other considerations, including asset management and economic and urban factors, such as employment, urban planning issues, public transport and other amenities. Asset planners also consult with relevant local staff to ensure that proposed acquisition plans are appropriate.

In areas where demand factors are low, when balanced against supply factors, stock in the poorest condition is identified for disposal by sale or demolition. Funds obtained from sales are used to acquire new stock in areas with high demand and/or low supply of affordable housing.

Disposals

The following asset management principles have been devised to govern the Department's disposal program:

- In areas of low demand, the Department should not retain older and/or poor condition stock. Priority for sale is determined based on individual assessment of property age, condition, and construction type.
- Stock earmarked for disposal should be maintained in a clean and liveable condition.
- Stock that is not suitable for sale (e.g. estates or large consolidated sites) should be included in the redevelopment program.
- Generally, properties are disposed 'upon vacancy'. However, where appropriate, the department will work with tenants to provide options to relocate to other social housing to allow disposal of occupied properties.

1.5.2 Reconciliation between the number of social housing properties disclosed in the Ministerial press release of 12 May 2009 and the forward estimates.

The Ministerial release of 12 May 2009 quoted stock numbers as reported in the Summary of Housing Assistance Programs 2007-08, which is available at www.housing.vic.gov.au.

The Summary of Housing Assistance Programs reports annually on the department's full acquisition and stock reconciliation, and includes *long, short and medium term* housing (such as crisis and Transitional Housing).

However, page 120 of Budget Paper 3 relates only to *long term* housing assistance.

Performance relating to short and medium term housing, as well other homelessness assistance performance, is outlined on page 121.

1.5.3 Grants and accountabilities

National Affordable Housing Agreement (NAHA)

The NAHA replaces the Commonwealth State Housing Agreement (CSHA) and Supported Accommodation Assistance Program (SAAP). The NAHA encompasses a range of measures including social housing, assistance to people in the private rental market, support and accommodation for people who are homeless or at risk of homelessness, and home purchase assistance. Under the NAHA Victoria will receive $1.4 billion in total over five years.

Budget Paper Reference	Accountabilities	2008-09	2009-10
Budget Paper 4 Page 210	Governed by the Intergovernmental agreement on federal financial relations for Special Purpose Payments. The COAG reform council will report annually to COAG against the performance indicators in the NAHA. Performance will be measured against the following indicators: a) proportion of low income households in rental stress; b) proportion of homes sold or built that are affordable by low and moderate income households; c) proportion of Australians who are homeless; d) proportion of people experiencing repeat periods of homelessness; e) proportion of Australian households owning or purchasing a home; f) proportion of Indigenous households owning or purchasing a home; g) proportion of Indigenous households living in overcrowded conditions; and h) proportion of Indigenous households living in houses of an acceptable standard. Performance indicators will be developed regarding: a) supply meeting underlying demand for housing; and b) housing market efficiency.	$259.5	$265.8

Social Housing National partnership

The Social Housing National Partnership Agreement provides capital funding to support the increase in social housing through new construction. Victoria has been allocated $99.2 million to deliver social housing units.

Budget Paper Reference	Accountabilities	2008-09	2009-10
Budget Paper 4 Page 210	Report to the Commonwealth every six months detailing the status and progress of each social housing project within jurisdiction.	$49.6	$49.6

Nation Building and Jobs Plan

Victoria has been allocated $1.58 billion under the *Nation Building and Jobs Plan*, which will be used to deliver social housing units and improve the condition of existing housing that requires work.

Budget Paper Reference	Accountabilities	2008-09	2009-10
Budget Paper 4 Page 210	Detailed reporting every three months to the Commonwealth. In accordance with Schedule C of the agreement, the report details: a) the status and progress of each new social housing project that has been funded through the initiative; b) the location of dwellings that have been constructed or refurbished through the initiative and their availability for Detailed reporting every three months to the Commonwealth. rental; and c) the tenant profile for each dwelling that is occupied following construction $64.4 or refurbishment funded through the initiative. Under schedule B of the agreement, the state also reports on expenditure and output benchmarks to Heads of Treasuries. Victoria is also required to provide detailed monthly progress reports to the State Coordinator-General, that detail: – Individual project expenditure – Works undertaken on a property by property basis – Details of employment outcomes associated with each project – Details of accessibility guidelines – Sustainability – Thermal efficiency – Tenant profile	$64.4	$1009.4

Homelessness NP

Funding of $104.79 million over four years to support a package of new services and initiatives that will strengthen and diversify the response to homelessness in Victoria.[1]

Budget Paper Reference	Accountabilities	2008-09	2009-10
Budget Paper 4 Page 210	A detailed report to be provided on an annual basis to the Commonwealth against the 11 indicators under the Homelessness NP. These are: – Proportion of Australians who are homeless – Proportion of Australians who are experiencing primary homelessness (rough sleeping) – The number of families who maintain or secure safe and sustainable housing following family violence – Increase in the number of people exiting care and custodial settings into secure and affordable housing – Reduce the number of people exiting social housing and private rental into homelessness – The proportion of people experiencing repeat periods of homelessness	$4.9	$18.8
	– Number of young people (12 to 18 years) who are homeless or at risk of homelessness who are re-engaged with family, school and work – Number of children (under 12 years) who are homeless or at risk of homelessness who are provided with additional support to maintain contact with their school – Number of families who are homeless or at risk of homelessness who receive financial advice, counselling and/or case management. – Number of people who are homeless or at risk who are provided with legal services – Number of staff of specialist homeless services provided with formal training and development opportunities		

1 In addition to this funding, $15.6 million from the NP is being provided to support mental health reform initiatives targeting homelessness (Budget Paper 3, p.87 & Budget Paper 4, Chapter 3) and $1.6 million from the NP in new funding is allocated to the Court Integrated Service Program to support those who are homeless or at risk of homelessness. (Budget Paper 3, p. 143 & Budget Paper 4 Chapter 3)

Remote Indigenous Housing NP

Under the Remote Indigenous Housing National Partnership Agreement, Victoria will receive $17.85 million in the first five years of the 10 year funding strategy ($30.35 million) to support the transfer of responsibility for Indigenous Community Housing Infrastructure Program to the Victorian government.

Budget Paper Reference	Accountabilities	2008-09	2009-10
Budget Paper 4 Page 210	Annual reporting against performance benchmarks through COAG reform council, who will report to COAG on transition milestones. The joint steering committee (JSC) (made up of Commonwealth and State representatives) will undertake an evidence-based reporting and benchmarking framework to track progress against the achievement of key outcomes, milestones, performance indicators and the payment schedule.	$5.8	$14.5

1.6 Mental Health portfolio

1.6.1 **A table containing the seven headings and subheadings, which appear in the introductory slide presented at the hearing, over the four years in terms of the expenditure under the various programs in the budget.**

PAEC	Total Investment over 4 years	Source: Appendix A, 2009-10 Service Delivery Budget Paper No. 3.	Page No.	2009-10	2010-11	2011-12	2012-13	Total Investment over 4 years
Foundations for Recovery	37.7	Building the Foundations for Recovery and Participation for People with a Mental Illness – Housing and Support	p 286	3.8	3.9	4.0	4.0	15.6
		Care Coordination for People with a Severe Mental Illness and Multiple Needs	p 286	2.0	2.1	2.1	2.2	8.3
		Mental Health List Pilot	p 286	2.0	3.9	4.0	3.9	13.8
Early in Life	21.3	Early in Life: Improving Mental Health Outcomes for Children, Young People and their Families	p 286	3.4	5.8	6.0	6.1	21.3
Pathways to Care	11.2	Pathways to Mental Health Care: Enhance Psychiatric Triage (Stage 2)	p 286	1.5	3.1	3.2	3.3	11.2
Aboriginal Mental Health	0.9	Reducing Inequalities in Aboriginal Mental Health	p 286	0.2	0.2	0.2	0.2	0.9
Workforce and Service Development	6.6	Strengthening the Mental Health Service System Development	p 286	1.5	1.6	1.7	1.7	6.6
Strengthening Specialist Support	21.3	Building Forensic Capacity in Community Based Mental Health Services	p 286	1.5	1.6	1.6	1.7	6.4
		Sustaining Health Services Capacity	p 314	3.6	3.7	3.8	3.9	15.0
Boosting Capacity	9.1	Sustaining Health Services Capacity	p 314	2.2	2.3	2.3	2.4	9.2
Investing in more beds	66.0	Asset Initiatives – Human Services – Dandenong Hospital Mental Health Redevelopment and Expansion	p 321	4.0	17.1	18.9	16.8	66.0
	8.0	Asset Initiatives – Human Services – Youth Prevention and Recovery Care Services	p 321	0.4	6.0	1.6	0.0	8.0
	182.1			**26.1**	**51.3**	**49.4**	**46.2**	**182.1**

1.6.2 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

Under the existing arrangements, the department would receive Commonwealth Government payments into its administered entity; transfer the dollar value of the receipt to the Consolidated Fund and then using appropriation authority under Section 29 of the Financial Management Act 1994 (FMA) drawdown an equivalent amount into its controlled entity to meet expenditure. Where a new Commonwealth SPP is established during the year, access to funds may be provided by Governor-in-Council approval under Section 10 of the Financial Management Act.

For new partnership agreements, funds will now be paid centrally to DTF by the Commonwealth Treasury. For payments received post 1 January 2009, DTF will receive a total payment from the Commonwealth and transfer this amount to the Consolidated Fund. Once the payment has been received, DTF will inform the department of specific funding details using information provided by the Commonwealth Treasury.

Once the department has been notified of the amounts notionally received for each agreement, the department can then use the Section 29 authority to draw the equivalent amount from the Consolidated Fund in line with the pre-January 2009 arrangements.

Section 29 of the FMA relates to monies received by departments from third parties under an agreement with the Treasurer. It allows a department to increase its appropriation by amounts equal to receipts provided that there is a Net Appropriation (Receipts Retention) Agreement in place.

A Net Appropriation (Receipts Retention) Agreement is signed by the Treasurer and the relevant Minister. The department's budget is adjusted in accordance with the actual receipts for the year.

The Treasurer will be required to report total expenditure for National Partnerships, stating both expenditure of Commonwealth project and facilitation funding and State co-contributions where these are required by the National Partnership, to the Ministerial Council for Federal Financial Relations within six months of the end of each financial year. This information is expected to be collected as part of the annual Financial Report for the State of Victoria data collection exercise, and more information on the level of details and format for the provision of this information will be provided at a later stage.

A number of Specific Purpose Payments received by the Department of Human Services in 2008-09 are being absorbed into the new National Healthcare Agreement in 2009-10.

The accountability measures relating specifically to the mental health portfolio include the submission of a range of national minimum datasets set out in Schedule A to that Agreement. Mental health and drug treatment services will also contribute to a range of health system performance measures and datasets identified in the Agreement, and to the financial accountability measures set out in Schedule D to the Intergovernmental Agreement on Federal Financial Relations.

Mental health services will also sit within the framework of the National Partnership Agreement on Hospitals and Health Workforce Reform and will contribute to the achievement of accountability measures set out in that Agreement.

Psychiatric disability services are also expected to contribute to the performance and accountability measures set out in the National Disability Services Agreement, although further work is to occur to clarify arrangements this as indicated in clause 29 of the Agreement.

In 2009-10 the Department of Human Services is expecting an allocation of $0.823 million under the National Perinatal Depression Initiative as part of the Mental Health portfolio.

This initiative entails routine and universal screening for perinatal depression; follow up support and care for women assessed as being at risk of or experiencing perinatal depression; workforce training and development for health professionals; research and data collection; national guidelines for screening for perinatal depression; and community awareness.

A draft Framework outlining the scope of the initiative has been agreed by officials and will be presented to the Australian Health Ministers Advisory Council in June 2009 for approval.

The department's Mental Health and Drugs division has responsibility for the implementation of the initiative and is working closely with maternity services, primary health, child protection and family services and maternal and child health to develop and implement appropriate treatment services, training and screening.

Department of Innovation, Industry and Regional Development

1.7 Whole of Department response

1.7.1 Please provide a list and description of all Federal grants received by departments and agencies in relation to each portfolio, and detail the accountability measures employed to deal with those grants.

The table below shows the 2009110 Federal Grants to be received by DIIRD and/or its Agencies.

DIIRD Portfolios and/or Agencies	Description of Grant	Amount ($M)	Measure(s)
Information and Communication Technology	Broadband Development Element	0.5	refer to page 128 ICT projects and programs underway (included in the 40 targets)
Innovation	Australian Synchrotron. The Commonwealth Government provided a $50 million contribution in 2006-07 towards the operating costs of the Australian Synchrotron over five years, ie, $10m p.a.	10.0	The Commonwealth and the Victorian Governments have agreed to jointly contribute to the operating costs of the Australian Synchrotron under a deed of agreement. Refer to BP4 page 210.
Tourism Victoria	Victorian Bushfires. Total funding is $10M to be match funded between State &Commonwealth. $2M is provided for 200819, $EM is provided for 2009110. Commonwealth funding is provided directly to DTF.	4.0	An agreement is in place between Tourism Victoria and The Commonwealth Department of Resources, Energy and Tourism. The agreement identifies deliverables and the reporting mechanism.
Workforce Victoria	Funding agreement under the Structured Training and Employment Project to deliver 100 sustainable employment outcomes for indigenous jobseekers.	1.0	The contract requires DIIRD ('the contractor') to report regularly through an established reporting framework in addition to including a standard range of governance measures.

	The Funding Agreement provides for the achievement of these outcomes in the period 9 June to 31 July 2011.		
Skills	National Agreement for Skills and Workforce Development* This agreement provides ongoing funding (SPP) for vocational education and training in Victoria, commencing on 1 January 2009 for an indefinite period. There is a requirement that all National Agreements are reviewed at least every 5 years for adequacy. The annual funding is indexed and incorporates operating funds and funds for Capital works.	326.3	Output measures for 2009 314,689 Enrolments in vocational education and training 81,259 Course completions in vocational education and training 1,692,975 Unit/module completions in vocational education and training 527 Course completions by Indigenous Australians in vocational education and training 1,930 Enrolments by lndigenous Australians in higher level vocational education and training qualifications
	Intergovernmental agreement for additional training delivery in Victoria under the Productivity Places Program (4 yr agmt)	57.2	Delivery of an additional 7,209 course enrolments, including commencements, in vocational education and training in 2009
	Better TAFE Facilities Funding	48.9	Building projects funded to be completed successfully, on time and within budget.
	Education Investment Fund (paid directly to TAFE)	5.1	Building projects funded have to be completed successfully, on time and within budget.
	Training Infrastructure Investment for Tomorrow Funding	65.2	Building projects funded to be completed successfully, on time and within budget.
*Longer term targets agreed by COAG are: (i) to halve the proportion of Australians aged 20–64 without qualifications at Certificate III level and above between 2009 and 2020; (ii) to double the number of higher qualification completions (diploma and advanced diploma) between 2009 and 2020.			

1.8 Financial Services portfolio

1.8.1 Financial services initiatives – jobs and exports

The implementation of the financial services initiatives referred to in, 'Building Our Industries for the Future' commenced this year. The Department has a target of $1.6 billion and 5,000 new jobs per annum for all industry development. No specific jobs targets have been set for financial services over the next four years. However, [the Minister has] been advised that the Department has facilitated $670 million in investments and over 1600 new jobs in the financial services sector since 2005.

1.9 Industrial Relations portfolio

1.9.1 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

In relation to the Industrial Relations and Industry & Trade portfolios, no funding was received by way of Commonwealth grants. [The Minister is] also advised that no funding was sought, nor are there any current applications for federal grants. However, the Secretary of the Department of Innovation, Industry and Regional Development is providing a whole of department response to this question.

1.9.2 Provision of relevant information pertaining to the union demarcation and the planned construction of a desalination plant in Victoria.

Construction of the Desalination Plant is a key part of the Government's *Our Water Our Future Plan.* It will be capable of providing significant annual water supply from a source that is independent of rainfall.

The desalination plant is being delivered as a PPP project under the Government's Partnerships Victoria framework. Construction is due to start later this year and the project remains on track to begin delivering water by the end of 2011.

The Department of Sustainability and Environment (DSE) is managing the project.

It is the successful tenderer who determines the composition of its workforce.

1.9.3 Future compliance of Victorian government contracts with the code of industrial relations practice established under the previous Commonwealth Government.

The Federal Government has consistently stated that the Office of the Australian Building and Construction Commissioner (ABCC) will continue to operate until 31 January 2010. From this date, the work of the ABCC, along with the work currently undertaken by other authorities such as the Workplace Ombudsman and the Australian Fair Pay Commission, will become the responsibility of Fair Work Australia.

In 2008 the Federal Government commissioned retired judge the Honourable Murray Wilcox to conduct an inquiry into the ABCC. His Honour also considered the operation of the *Implementation Guidelines for the National Code of Practice for the Building and Construction Industry* (the Code). Members may be aware that compliance with the Code is a prerequisite for companies wishing to participate in federally funded construction projects.

The Victorian Government made a submission to that inquiry, in which we reiterated our support for a strong set of compliance arrangements that are consistent with a cooperative and collaborative approach to workplace relations.

In our submission we also expressed our grave concerns about the use of coercive powers by the ABCC, stating that if they were to be retained, their use should be subject to a greater investigatory threshold than merely being relevant to an investigation.

The Victorian Government further submitted that adequate safeguards should be instituted in order to ensure that such powers are exercised appropriately, and due regard is paid to an affected person's rights.

Justice Wilcox recently provided the Deputy Prime Minister with his report into the transition to Fair Work Australia for the building and construction industry. The Federal Government introduced a Bill into Parliament on 17 June 2009 to maintain a strong enforcement regime for the industry.

Victoria accepted the Code in 2004. The federal Department of Education, Employment and Workplace Relations is currently reviewing the Code.

1.10 Information and Communication Technology portfolio

1.10.1 Access by nearby communities to the broadband connected to government schools.

Under the Broadband Framework, the Victorian Government aggregated demand to increase Government purchasing power and facilitate improved community access to broadband infrastructure.

Through the current Victorian Government Telecommunications Purchasing and Management Strategy (TPAMS), community agencies (such as local Government and independent schools) can utilise State Government purchasing arrangements.

State procurement of telecommunications services has also led to substantial new infrastructure broadband rollout in regional Victoria. For example, the DSL installed for earlier connectivity to regional schools is now typically available for broader consumer and business access. Fibre optic links have now been delivered to over 2,500 sites under TPAMS including over 1,000 non-metropolitan sites. We expect some broader benefits from the fibre optic deployment over time, consistent with policies at the Federal level and the previous commercial actions of the Government's broadband telecommunications service provider (Telstra).

1.11 Major Projects portfolio

1.11.1 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail accountability measures employed to deal with those grants.

Major Projects Victoria does not generally directly receive federal funding for any projects it is involved with. The client department may, however, receive federal funding for construction. Major Projects Victoria did not receive any federal funding in the most recent budget but as you would be aware, the Commonwealth has committed to providing funding to clean up and dispose of the waste caused by the destruction of buildings in the bushfire of 7 February.

Major Projects Victoria is directly involved in the bushfire clean up, administering the contract for the clean up and disposal of bushfire waste, and clearing more than 2000 buildings including homes, businesses , community buildings and outhouses destroyed by the fires.

In the past, federal funding was provided for the Australian Synchrotron – not for construction purposes, but for additional beamlines.

1.11.2 Details of the rating system used by the Green Building Council of Australia

The Green Building Council of Australia aims to develop a sustainable building and property development industry, and comprises both government and (mainly) non-government members.

The Green Building Council has adopted a ratings system that promotes sustainability by recognising reductions in the environmental impacts of buildings. Unlike other rating systems that rate single aspects such as water consumption for appliances, or residential energy consumption, the Green Building Council rating system covers a spectrum of impact categories including indoor environmental quality, energy, transport, water, materials, land use ecology and emissions. The rating system also recognises good building management practices and rewards innovation.

Scores are awarded against elements within these impact categories, with ‘six star’ being the highest. Six star means `world leader’, five star recognises `Australian excellence’ and four star rewards ‘best practice’. Star ratings of one, two or three cannot be rewarded with certification.

1.11.3 Department to complete question 9.1 of the Committee’s 2009-10 Budget Estimates questionnaire.

The Department has responded to question 9.1 in the Committee’s questionnaire. [Refer] to pages 38 and 39 of the Department’s response for full staffing details.

1.12 Regional and Rural Development portfolio

1.12.1 Commentary on the breakdown of funding from the Regional Infrastructure Development Fund (RIDF) by local government according to dollars per head of community member.

All RIDF projects are assessed and evaluated on their merits against established criteria (which are publicly available) prior to approval.

Successful RIDF sub-programs, such as the Dairy Roads, Small Towns Development Fund and the Local Ports Upgrade Program have ensured that hundreds of projects have been funded throughout Provincial Victoria.

RIDF projects have been funded across the whole of the State, not just in the large regional centres. An analysis of the RIDF funding allocation demonstrates that every LGA in Provincial Victoria has received some RIDF funding.

However, it should also be noted that regional infrastructure projects provide benefits beyond their immediate locality. For example, the upgrade of the Mildura Airport under the Regional Aviation sub -program clearly provides benefits in a regional context beyond those immediately impacting on the Mildura City Council residents. This project will make access to and from the Loddon Mallee and Grampians Regions of Victoria far easier for individuals and businesses.

The RIDF project to create a new campus for Latrobe University in Shepparton is another example of a project that provides benefits at a regional level beyond the immediate boundaries of the municipal location. This project will provide greater tertiary education opportunities for residents in the Hume and Loddon Mallee regions of Victoria.

On this basis, it can clearly be demonstrated that the RIDF has provided benefits to all communities in Provincial Victoria.

1.12.2 Clarification of new money in the budget for airports.

The Government has provided $25 million towards regional airport upgrades through the following allocations:

2006 Election Commitment of $5 million to the Regional Aviation Fund (RAF), allocated in the 2007 Budget from 2007/08 to 2009/2010
2009 Victorian Transport Plan (VTP) Allocation $20 million

Seven projects have been announced to date, with a combined value of $12.43 m, leaving a balance of $12.57 m.

The seven projects funded to date are:

Yarrawonga $0.550 m
Stawell $0.950 m
Latrobe $0.492 m
Mallacoota $0.791 m
Warrnambool $0.492 m
Mildura $5.72
Ballarat $3.43

When the VTP foreshadowed $20 million for regional airport upgrades, it was announced that Mildura and Ballarat would be amongst the first to benefit from the increased funding.

The $20 million VTP allocation is represented in the 2009 Budget Papers, Appendix A, Table A.7: Output Initiatives – DIIRD, Page 326 as:

> *$9 million against the Victorian Transport Plan for Upgrading Regional Airports in Financial Year 2008/09 and $11 million against the Victorian Transport Plan for Upgrading Regional Airports in Financial Year 2009/10*

1.12.3 Bush fire rebuilding – financial assistance and support.

Regional Development Victoria (RDV) is providing financial assistance and support for fire affected businesses and communities in rural and regional Victoria.

RDV has had a significant presence at Bushfire Recovery Centres and Community Hubs, and has supported businesses through referrals to appropriate business support. A strong understanding of the emerging issues confronting businesses and communities has been developed. RDV will continue to provide advice to businesses and inform future Government activity in bushfire affected areas.

RDV provided funding for the following initiatives:

- National day of mourning for bushfire victims. 11 events were held across regional Victoria in conjunction with the Day of Mourning event in Melbourne.
- The $150, 000 *Bushfire Community Events Program is* providing grants of up to $3000 to local government and community organisations in fire affected regional areas for community events. As at 11 June 2009, 41 grants worth $113,301 have been approved.

- VECCI Bushfires Business Relief Emergency Fund
  - RDV is contributing $500,000 from the Living Regions Living Suburbs program towards the Bushfires Business Relief Emergency Fund which will provide assistance to small businesses indirectly affected by the fires. VECCI will oversee the administration of the Fund and will seek additional funds from the business community.
  - Small businesses in bushfire-affected areas that were not burnt out but are experiencing financial hardship as a result of the bushfires may be eligible for grants of up to $5,000 initially. The Bushfires Business Relief Emergency Fund will give priority to businesses that employed fewer than 20 people and that have had little or no alternative sources of income following the bushfires.
- The *Bush fire Recovery Community Infrastructure Program.* RDV is contributing $2 million from the Living Regions Living Suburbs program towards this $4 million initiative, with $2 million also being contributed by Bendigo Bank through its Community Enterprise Foundation. This program will support replacement of destroyed and damaged infrastructure in rural, regional and interface councils affected by the bushfires.
- RDV has provided $87,000 to the Murrindindi Shire Council to enable engagement of a locally based Business Recovery Officer to support local business.
- In understanding and responding to the emerging business issues impacting on bushfire affected areas, RDV is assisting through a range of activities including:
  - Coordination of a range of Business Bushfire Roundtables, hosted by the Minister for Regional and Rural Development across the bushfire affected areas.
  - Ongoing involvement in a number of Multi-Agency Recovery Committees (MRA) through the Gippsland, Hume and North West Metro regions as well as the Economic Taskforce Sub-Committees established under the MRA framework;
  - Ongoing representation on individual Shire Bushfire Recovery Committees across Gippsland, Hume, North West Metro and Eastern Metro regions;
  - Representation on the Tourism Bushfire Recovery Taskforce and the VBRRA Inter-Agency Recovery Committee;

There are also a number of existing programs delivered by RDV that, while not developed in response to the bushfires, can be utilised to support activities in affected areas. An example is the Buy Locally Program where a number of projects are under development in the Murrindindi and Mitchell shires (totalling $23,350). Funding has also been provided to the Victorian Wine Industry Association in relation to testing for smoke taint ($27,000).

1.13 Skills and Workforce Participation Portfolio

1.13.1 Breakdown of additional revenue from the new fee structure for all students across all qualification levels.

The new fees being introduced from 1 July 2009 are structured so that individual student contributions increase where higher qualifications are likely to lead to higher graduate income and benefit. Conversely, those students undertaking foundation programs or lower level certificates where there is not likely to be an increase in income from doing that particular course will pay lower fees. The introduction of entitlement based funding will also drive growth in student numbers.

It is not feasible to predict additional revenue from fee structure changes, as the revenue from fees will be retained by providers and the actual fee amount set by providers up to the published limit. It is also not possible to predict the actual mix of qualifications.

1.13.2 Reconciliation between Skills and Workforce Participation output cost variances supplied to the Committee (p.22 of questionnaire response) and information disclosed in the Output Summary in *Budget Paper No. 3* p.125).

The Output Summary table in Budget Paper 3 p.125 lists output costs for Skills and Workforce as below:

($ million)				
	2008-09 Budget	***2008-09 Revised***	***2009-10 Budget***	***Variation %***
Industries and Innovation	226.1	214.0	312.4	38.2
Investment and Trade	79.4	90.7	90.2	13.6
Regional Development	90.1	102.0	154.1	71.0
Skills and Workforce	1,690.1	1,830.1	1,864.8	10.3
Marketing Victoria	79.4	86.1	75.2	−5.3
Major Projects	10.4	25.9	9.3	−10.6
Total	**2,175.5**	**2,348.8**	**2,506.0**	**15.2**

The three outputs listed below in the Budget Estimates questionnaire make up the Skills and Workforce Output group listed in the summary table above. The variance column in the table above is the variance between the 2008-09 budget and the 2009-10 Budget. The Budget Estimates questionnaire requested variances between the 2008-09 revised budget and the 2009-10 Budget.

Output	**2008-09 Revised Outturn**	**2009-10 Target**	**Variance %**
Skills	1,796.7	1,829.1	1.8%
Industrial Relations	11.8	8.6	−27.1%
Workforce Participation	21.6	27.1	25.5%
	1,830.1	**1,864.8**	1.9%

1.13.3 Clarification of funding arrangements with the Commonwealth.

The Commonwealth and all States and Territories are signatories to a new *Intergovernmental Agreement on Federal Financial Relations.* This Intergovernmental Agreement provides a new *Framework for Federal Financial Relations* which will provide the foundation for governments to collaborate on policy development and service delivery and facilitate the implementation of social and economic reforms in areas of national importance. The agreement operates indefinitely from 1 January 2009. The agreement contains a clause that provides for periodic review (at least every 5 years) of the level of Commonwealth funding support to ensure its ongoing adequacy.

The *National Agreement for Skills and Workforce Development* replaces the previous funding arrangements through *Skilling Australia's Workforce 2005 – 2008.* The new agreement provides the same level of funding, with indexation, and more flexibility. The previous agreement had many input controls and detailed reporting requirements. In this agreement, states and territories

agree to high level targets and a range of outputs. Reporting on the agreements will be through the COAG Reform Council.

Victoria is also a signatory to a bi-lateral agreement, the *Intergovernmental agreement for additional training delivery in Victoria under the Productivity Places Program.* This agreement recognises the significant investment being made by Victoria over the next four years in implementing *Securing Jobs for Your Future*, the major reform package which begins on 1 July 2009. The terms of the agreement mean Victoria is not restricted to delivery in certain skills areas or qualifications and that the places can be delivered through existing arrangements.

1.13.4 Market contestability between TAFEs and private providers – monitoring, teaching and course delivery standards, information campaigns about courses; and course selection and career advice.

While this question has largely been addressed in [the Minister's] response at the PAEC hearing, [the Minister] would also like to supplement [her] earlier response with the following. On the back of significant additional State Government investment, TAFE institutes in Victoria are well positioned to thrive in the new system announced in *Securing Jobs for Your Future.*

Quality is a key element of the reform package and we are providing additional funding to the Victorian Registration and Qualification Authority. Providers will have to meet certain criteria to offer government subsidised training.

[The Minister is] pleased to add in relation to course selection and career advice that from August 2009, the VRQA is planning to train career teachers and advisers on how to use and integrate the Qualifications Navigator in careers planning with students and clients.

1.14 Small Business portfolio

1.14.1 A list of the regulations under the Small Business portfolio that have been removed in the last year, and those planned for removal over the forward estimates period.

The Minister for Small Business has responsibility for the following Acts:

- ANZAC Day Act 1958
- Public Holidays Act 1993
- Retail Leases Act 2003
- Shop Trading Reform Act 1996
- Small Business Commissioner Act 2003
- Summer Time Act 1972

In these circumstances, there has been very limited scope to remove regulations in the past year and none are scheduled for repeal by July 2010. Nevertheless, the Victorian Government has been active in reducing the regulatory burden on business in other non-legislative but significant ways. This includes the World Class Service initiative, the establishment of the Business Consultation Database, and the Small Business Regulatory Impact Assessment Manual. Preliminary results

indicate that Victorian businesses save approximately $30 million per annum as a result of these initiatives to reduce the regulatory burden.

The Victorian Government has also taken the lead nationally on a number of initiatives to reduce the compliance costs on business. This includes harmonisation of retail lease disclosure statements and developing a single national system associated with registration of business names and business start-up.

1.15 Tourism and Major Events Portfolio

1.15.1 Please provide a list and description of federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

There are no federal grants to the relevant departments and agencies in relation to the Tourism and Major Events … portfolio.

Unasked question on notice

It is assumed that this is the question that was referred to by Mr Sykes within the hearing:

1.15.2 The bushfire recovery package included promotion of the Falls Creek Easter Festival and the Myrtleford Festival. How much money was spent on promoting each of these events and what was the money spent on.

A joint $10 million Commonwealth and State Government tourism recovery package was announced on 17 March 2009 that is helping to fund a range of marketing strategies to assist tourism businesses in the bushfire affected regions. This funding is made up of:

- $6 million towards a cooperative marketing and brand rebuilding program to promote visitation to economically-affected areas;
- $1 million to bring forward postponed events and marketing of existing events; and
- $3 million to assist with the enhancement and redevelopment of tourism and visitor facility infrastructure in national, state and regional parks adjoining bushfire affected areas.

Through this funding, Tourism Victoria initiated an open for business campaign to encourage visitation back to regional Victoria after the threat of bushfires had past. Under the tagline ‘Victoria. Amazing as Always’, a range of events have been promoted to encourage immediate visitation back to bushfire affected areas.

As part of the open for business campaign, the Falls Creek Easter Festival was promoted under a High Country Easter Festival banner in The Age on 29 March 2009, combined with other event promotions at an estimated value of $1,220.

The Myrtleford Festival was promoted as the La Fiera Myrtleford Festival as a single event in the Herald Sun on 19 May 2009 and was also promoted with other events in The Age on 29 March 2009 with a total estimated value of $7,955.

The selection of events to promote has been made by Tourism Victoria in conjunction with the State-wide Bushfire Tourism Response and Recovery Committees and the respective regional response and recovery committees.

Department of Justice

1.16 Attorney-General's portfolio

1.16.1 Details of the amount and value of pro-bono work undertaken by firms for Victorian Legal Aid.

Members of the Legal Services Panel have reported delivering pro bono legal services to the value of $12.4m in 2007/2008. In the 2007/2008 financial year, Panel firms were contractually obliged to deliver pro bono legal services to the value of $4.6m. Therefore, they have more than tripled their required obligation under the Panel arrangements.

Under the Panel contract, each law firm when tendering to provide legal services, committed to pro bono services as a percentage of the legal fees (ex GST & disbursements) derived from government work. Their pro bono commitment becomes an obligation to provide pro bono legal services to 'Approved Causes.' The policy guidelines related to 'Approved Causes' state that the provision of pro bono services is to provide access to justice for disadvantaged people and/or are in the public interest. The government encourages Panel firms to collaborate with community legal centres and non-profit organisations with access to justice objectives such as PILCH (Public Interest Law Clearing House) to meet their contractual obligations.

1.16.2 Information in the background of Justices of the Peace.

The Department of Justice is not able to advise an exact figure in relation to how many Justices of the Peace (JPs) have criminal records. There are approximately 4,500 JPs in Victoria. Ascertaining the number of JPs with a criminal record would be a resource-intensive undertaking, as this information is not held on a database, but on the individual appointment file for each JP. A new, searchable database is currently in development.

Under the current process for recommending applicants for appointment as a JP, a range of factors is taken into account by the assessment panel including, where applicable, the nature and age of any previous convictions. The appointment process will be further strengthened by the recommendations in relation to the appointment process outlined in The *Advisory Panel Report on the Appropriateness of the Appointment Processes of Justices of the Peace Arising from an Investigation of Mr Hakki Suleyman* (June 2009), which are currently being implemented by the Honorary Justices Office in the Department of Justice.

1.16.3 An estimation of the cost of family violence on government services

The cost of domestic violence in Australia was estimated at $8.1 billion in 2002-03, comprising $3.5 billion in costs attributable to pain, suffering and premature mortality. Of this $8.1 billion, the cost apportioned to Victoria was estimated to be $2 billion per annum.[613]

[613] source: Access Economics: The Cost of Domestic Violence to the Australian Economy 2004

The National Council to Reduce Violence against Women and their Children, tasked by the Federal Government, released a report in May 2009 on the cost of violence against women and their children. In this study, violence against women and their children includes domestic and non-domestic violence (e.g. non domestic sexual assault). The report estimates that violence against women and their children will cost the Australian economy an estimated $13.6 billion this year, rising to $15.6 billion by 2021-22. As with the Access Economics study, this estimate captures reported violence only and unreported violence, considered to be prevalent amongst this crime type, is not included. A breakdown of costs across jurisdictions is not provided.[614]

1.16.4 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

In relation to the Attorney General's portfolio, under a bilateral agreement between the Commonwealth and Victoria Legal Aid (VLA), the Commonwealth currently provides VLA about $33m per year of tied legal aid funding. This funding supports grants of legal aid to eligible recipients in matters being prosecuted under federal laws. Principally, this relates to family law matters but can also include other areas of Commonwealth law, for example, the recent terrorism trials were prosecuted under Commonwealth anti-terrorism legislation and legal aid provided in these cases was funded from the Commonwealth grant.

The agreement, which expired on 31 December 2008, has been rolled over pending renegotiation under the new COAG arrangements. Under the current quite stringent accountability mechanisms that apply nationally, VLA is required to report to the Commonwealth on a quarterly basis, on both financial and output delivery performance as well as demographic, socio-economic and other characteristics of grant applicants.

1.17 Consumer Affairs portfolio

1.17.1 What proportion of the appropriation fund is given to key protection activities?

Consumer Affairs Victoria (CAV) has a broad range of consumer protection activities, which varies from one year to another. The following table provides a proxy indicator of the way in which appropriations and trust funds are allocated to service issue areas (the data was extracted from our data management system).

614 source: The National Council to Reduce Violence against Women and their Children: The Cost of Violence against Women and their Children, 2009

Complaints received by CAV by Industry Categories between July 2008 – March 2009

Service Issue Area	Percent	Funding Sources
Electronics and Computers	2.9	Appropriations
Health, Education, Community and Social Services	0.6	Appropriations
Household goods and services	5.6	Appropriations
Personal goods and services	5.0	Appropriations
Professional, scientific and technical services	0.6	Appropriations
Recreation, cultural and sporting services	2.0	Appropriations
Scams & Get Rich Quick Schemes	1.7	Appropriations
Telecommunications and Internet	2.1	Appropriations
Transport	1.3	Appropriations
Utilities, fuels and distributive services	0.5	Appropriations
Financial and Related Services	3.9	Consumer Credit fund + appropriations
Building and Renovating	9.8	Domestic Builders Fund
Automotive	5.7	Motor Car Traders Guarantee Fund + appropriations
Tenancy and Accommodation	22.1	Residential Tenancies Fund
Property Services	3.5	Victorian Property Fund + appropriations
Other	32.7	Various CAV trust funds + appropriations
TOTAL	**100**	

CAV's composition of outputs has varied over the past few years with increased focus on more complex proceedings in the superior courts. For 2009-10, CAV's compliance and enforcement activities will continue to focus on complex cases of strategic significance or major impact to consumers, as well as new and emerging issues. These are the most complex and time consuming activities undertaken by CAV in the consumer protection arena.

CAV has also increased its demand driven inspections over the last two years. For example, residential tenancy inspections have increased significantly over the last year (up by 11%). In response to increased demand, CAV has developed a residential accommodation strategy which includes an increased number of inspections.

In relation to the issue of unlicensed motor car trading in Victoria, CAV assesses the results produced by its unlicensed trade detection program and investigates any unlicensed motor car trader where the potential risk of consumer detriment is high and/or there appears to be possible exposure of the Motor Car Traders Guarantee Fund to claims as a result of the unlicensed trading. Where unlicensed motor car traders are identified, a strategic and targeted approach is adopted in pursuing enforcement actions that may involve both civil and criminal proceedings. CAV works in conjunction with Victoria Police and municipal councils in its efforts to identify and pursue unregistered motor car traders.

In addition to a vehicle advertisement tracking program, CAV also investigates and takes appropriate enforcement action in relation to allegations of unlicensed motor car traders received from consumers, licensed motor car traders, VicRoads and the Victorian Automobile Chamber of Commerce (VACC).

CAV Compliance & Enforcement in the Motor Car Traders sector

Actions and Outcomes	July 2008 – March 2009
Civil Proceedings	3
Criminal Prosecutions	9
Fines *	$32,800
Costs *	$14,250
Compensation *	Nil

Total amount awarded for Motor Cars (licensed and unlicensed) resulting in fines, costs and compensation.

In December 2008, the Government improved consumer protection by amending the *Motor Car Traders Act* 1986 to extend the cooling off provisions in agreements for the sale of new vehicles. The 3-day cooling off period provides buyers the opportunity to review the contract of sale for a new or used car and seek independent advice on any terms they do not understand or may be of concern.

In response to rising complaints and enquiries relating to motor car traders who allegedly failed to comply with the new regulations, CAV has also agreed to develop an integrated compliance strategy dealing with traders who appear to be non compliant with new and used car cooling off provisions.

The new Regulations also strengthened inspectors' powers to issue infringement notices. Additionally, CAV increased the penalty amount relating to some offences under the MCT Act including a fine of $567 per omission when a motor car trader has failed to keep their dealings books up to date.

Door to door sales, particularly in the area of energy marketing, including electricity and gas can give rise to allegations of unfair conduct including misleading and deceptive conduct, pressure sales and failure to honour cooling off provisions. Door-to-door energy sales activities are monitored by the Consumer Utilities Advocacy Centre (CUAC), which received $552k appropriations funding in 2008-09.

Between July 2008-February 2009, CAV recorded an increase in enquiries and complaints about the activities of retail energy companies. 83 enquiries and 18 complaints were received about issues including allegations of misrepresentation, unauthorised transfers and failure to honour cooling off provisions.

CAV has an Memorandum Of Understanding in place with the Essential Services Commission (ESC), which is the main energy sector regulator, and also protocols with the Energy and Water Ombudsman (EWOV). In an agreement signed in April 2009, CAV, the Essential Services Commission, and the Energy and Water Ombudsman have put in place arrangements to deal with the increasing concerns expressed by the community about the door to door activities of energy retailers. Under these arrangements, CAV will look to instigating an investigation into companies that breach the Fair Trading Act.

1.17.2 How many instances of legal proceedings has Consumer Affairs Victoria initiated under the Retirement Villages Act and how many of the targeted compliance activities for 2009-10 relate to the Retirement Villages Act?

In 2008-09, no proceedings have been undertaken by Consumer Affairs Victoria (CAV) against retirement village operators under the *Retirement Villages Act* 1986, the *Owners Corporations Act* 2006, and the *Fair Trading Act* 1999. None of the compliance activities targets for 2009-10 have been specifically set in relation to the Retirement Villages Act.

To respond to this question stating only the specific answers would unfairly misrepresent the significant work that CAV has undertaken in the retirement villages area and reasons why CAV has not pursued enforcement actions. CAV's approach to the retirement villages area has been to focus on internal dispute resolution within villages, and conciliation by CAV, and on mutually negotiated outcomes, rather than enforcement approaches which can be time-consuming, expensive and adversarial.

In 2008-09, the Government amended the *Retirement Villages Act* 1986 by removing references to costly arbitration processes, and establishing internal dispute resolution processes for manager-resident and resident-resident disputes. Where the internal dispute resolution process does not have satisfactory outcomes, residents can access free dispute resolution (conciliation) services through CAV. Consumer Affairs Victoria's work in this area is very successful with CAV being able to resolve the vast majority of complaints (83%).

Retirement Villages – Dispute Resolution/Conciliation Outcomes (April 2008 – March 2009)

Outcomes	**No.**	**%**
Complaint resolved	43	83
Referred to advocate	1	2
Complaint better addressed by another agency	2	4
Not resolved	5	9
No action (required) by CAV	1	2
TOTALS	**52**	**100**

CAV has 2 comprehensive publications on retirement villages *(Guide for Retirement Village Living, Internal Dispute Resolutions Guidelines for Retirement Villages)* which are available in a number of formats (audio CD, large print, standard print). CAV conducts free seniors' group presentations on a range of topics, including retirement village living. It also funds Residents of Retirement Villages Victoria (RRVV) and Housing for the Aged Action Group.

1.17.3 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

There are no direct Federal grants in the … Consumer Affairs portfolio.

1.18 Corrections portfolio

1.18.1 Details of the accommodation provided to ex-prisoners, both male and female, post-release.

Corrections Victoria is recognised as national leader in innovative and effective programs aimed at reducing recidivism. Over the past five years Corrections Victoria has piloted, evaluated and implemented a number of post-release initiatives for eligible offenders. This has resulted in the following current housing and support programs:

- Women's Integrated Support Program – commenced 1 October 2006 to provide transitional support including a focus on assistance in securing and maintaining housing to a minimum of 90 female prisoners per year.
- Link Out – commenced 1 December 2007 to provide transitional support including a focus on housing to a minimum of 500 male prisoners per year.
- Konnect – commenced 30 April 2009 to provide transitional support including a focus on housing to a minimum of 65 Indigenous prisoners per year (50 Indigenous males and 15 Indigenous females)

The Office of Housing (OoH) provides 61 transitional properties (48 male + 13 female) for exiting prisoners.

Prison Based Housing Information and Referral Workers

To complement the above programs, there are 11 dedicated Housing and Information Referral Workers (HIRWs) who work across the State's prison system funded by OoH. The HIRWs offer specialised assistance and advice to individual offenders in order to establish stable housing upon exit from prison. Housing options include but are not limited to private rental, public housing, supported accommodation and crisis accommodation.

CVHP

The Corrections Victoria Housing Project (CVHP) was established in December 2007 in recognition of the growing demand for a specific response to the housing needs of exiting prisoners.

Some of the factors involved included:

- an increasing prisoner population
- lack of affordable housing throughout Victoria and therefore limited ability for the OoH to provide additional resources to CV
- the link between homelessness and recidivism
- the complex and unique housing and support requirements of exiting offenders.

The CVHP has developed a number of housing options, including strengthening current pre and post-release services so a person is connected to transitional housing, with a long-term (supported) housing pathway. This initiative is not a 'housing-only' response; it will mean strengthening current post-release services so a person is connected to transitional (supported) housing, to education, training and employment assistance, family counselling, drug and alcohol and basic living skills training.

Over the next four years, as depicted by the table below, the program aims to have provided transitional support and housing for 302 exiting male offenders at risk of homelessness upon release from prison.

Year	2008-2009	2009-2010	2010-2011	2011-2012
Places and support service packages	14	80	95	105
Offenders housed	14	80	95	105

1.18.2 Information on sentence length for serious offenders compared with other types of offenders.

As at 16 June 2009 serious offenders represented 24.9% of the total prisoner population.

The average sentence length for serious offences has increased by 8.3% over the last five years. Offences in this category include homicide and related offences, sexual assault and related offences and dangerous or negligent acts endangering persons.

Average serious offender sentence length 20042009 (months)

30-Jun-04	30-Jun-05	30-Jun-06	30-Jun-07	30-Jun-08	30-Jun-09 (estimate)
90.17	93.7	99.8	97.43	97.67	98.8

1.18.3 Cost of keeping prisoners in a private prison compared to the public system, including a comparison of Port Philip Prison and Barwon Prison.

Total expenditure for each public prison, with full attributed costs, both direct and indirect as per the *COAG Report on Government Services* methodology is able to be provided. In the case of private prisons, due to 'commercial-in-confidence' considerations, only an average figure for all private prisons can be provided.

2007-08 Average Daily cost per Prisoner

Public Prison Average	$290.30
Private Prison Average	$257.10
Average for all prisons	$278.90
Number of Beds	4523

- *These figures include all operating costs, as well as debt servicing fees and the user cost of capital, but also reflecting differing security regimes.*
- *The public prisons also include women's prisons*

The key differences, when making comparisons, between the public and privates prisons are the larger and more efficient overall capacity and design related elements of the private prisons' infrastructure, as well as more favourable employee conditions and entitlements – including significant use of 12 hours shifts, and lesser premiums for penalty rates and overtime usage.

1.18.4 The Minister undertook to provide the Committee with further information on home detention order breaches in metropolitan and rural Victoria.

As at 11 May 2009, 89 breaches have been reported to the Adult Parole Board (APB) since the program commenced in 2004. Of these the APB has revoked 21 and has issued formal warnings in many other cases. *(NB. There may be multiple incidences/non compliance related to the same offender)*

The reasons for the revocations by breach are:

- Positive dmg test 14
- Positive breath test 2
- Tamper with Equipment 1
- Condition (for example curfew breach) 4

Offenders on Home Detention are subject to 24/7 electronic monitoring, and various strict conditions, including regular face-to-face contact with their supervising Corrections Victoria (CV) officers. Offenders are only released from curfew to attend programs and appointments designed to reduce their risk of re offence and/or enhance their rehabilitation, or for appointments such as for medical reasons. Compliance with all conditions and release from curfews is rigorously monitored.

Please note that since the program only operates on a 40km radius from Melbourne's CBD, comparing metropolitan to rural Victoria is not relevant.

1.19 Gaming portfolio

1.19.1 Effective date when the Director was given regulatory powers concerning the promotion of gambling.

An amendment to the *Gambling Regulation Act 2003* came into effect on 1 March 2009, giving the Minister power to make an interim or fixed term order banning a gambling product or practice that undermines or may undermine a responsible gambling objective of the Act.

The Minister, by notice published in the Government Gazette, may make an interim order banning a gambling product or practice if the Minister considers that it undermines or may undermine a responsible gambling objective.

If the Minister makes an interim ban order, the Minister must give a written direction to the Victorian Commission for Gambling Regulation to investigate the product or practice that is the subject of the order and report to the Minister on whether it should be made the subject of a fixed-term ban order.

After considering the Commission's report, if the Minister is satisfied that the product or practice undermines or may undermine a responsible gambling objective, the Minister may make a fixed term ban order banning the product or practice for no more than 10 years.

As of 1 June 2009, the responsible gambling objectives of the Act are:

a) to foster responsible gambling in order to –

   (i) minimise the harm caused by problem gambling; and

   (ii) accommodate those who gamble without harming themselves or others;

b) to ensure that minors are neither encouraged to gamble nor allowed to do so.

1.19.2 Transition measures from gaming operators to venue ownership.

At the PAEC hearing, Mr Robinson was asked about *'the I0 per cent deposits the Government expects to obtain in 2010, where will those funds be held and what purpose will they be used for, if any?'*

- For hotel venue operators, a 10 per cent deposit (first instalment) must be paid following the close of the competitive bidding period, with a further 10 per cent to be paid in 2012 prior to the entitlements coming into operation.
- For club venue operators, a 5 per cent deposit (first instalment) must be paid following the close of the competitive bidding period, with a further 5 per cent to be paid in 2012 prior to the entitlements coming into operation.
- The deposits (first instalments) paid by hotel and club venue operators will be paid into consolidated revenue.

1.19.3 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

There are no direct Federal grants in the Gaming … portfolio.

1.20 Police and Emergency Services portfolio

1.20.1 Road safety initiatives in 2009-10 and over the forward estimates (include a breakdown of funding between output and asset components per initiative).

The funding provided for Road Safety initiatives announced in the 2009-10 State Budget is as follows:

Initiative	2009-10 $m	2010-11 $m	2011-12 $m	2012-13 $m
Extension of moving mode radar technology – Output	0.816	0.314	0.323	0.331
Renewal of speed measuring devices – Output – Asset investment	0.131 0.810	0.220 –	0.311 –	0.320 –
Increase in drug driving tests – Output – Asset investment	1.662 0.250	2.208 –	2.795 –	2.863 –
Renewal of breathalyser equipment – Asset investment	1.645	1.645	1.645	–
Extension of vehicle impoundment scheme – Output	0.763	2.823	3.156	3.206
Continuation of investigation of major collisions – Asset investment	0.153	–	–	–
Extension of mobile safety cameras – Output	13.391	14.117	14.857	15.239
Upgrade of 53 intersection safety cameras – Output – Asset investment	4.183 22.083	13.810	14.183	14.498
Total **– Output** **– Asset investment**	**20.946** **24.941**	**33.492** **1.645**	**35.625** **1.645**	**36.457** **–**

1.20.2 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants

Office of the Emergency Services Commissioner (OESC)

The Commonwealth provides funds to Victoria in support of the National Partnership (NP) on Disaster Resilience Australia. This NP replaces a number of individual programs that the OESC was administering on behalf of the Commonwealth. The aim of the NP is to strengthen efforts to combat man-made and natural threats and disasters across Australia.

Under new financial arrangements agreed through COAG, all payments from the Commonwealth are now administered through a single, monthly payment from Commonwealth Treasury to the Department of Treasury and Finance, which is then distributed to the department.

In 2009-10, the Commonwealth through the NP will provide funds for administering the following programs (through OESC):

- $1.0m for the Bushfire Mitigation Programme (BMP); and
- $1.1m for the National Disaster Mitigation Programme *(NDMP).*

Bushfire Mitigation Programme (BMP)

Funding is provided to assist in bushfire mitigation through the construction, maintenance and signage of fire trail networks to assist local communities to better prepare for bushfires.

The objective is to construct, maintain and sign an effective fire trail network to increase the:

- Protection of communities
- Safety of fire fighting personnel
- Speed with which fire suppression agencies are able to access a fire; and
- Type of resources that can safely be made available to a fire suppression effort.

National Disaster Mitigation Programme (NDMP)

Carrying out natural disaster management studies and strategies Funding is provided to the OESC. States are required to contribute 213 of funds, with the Commonwealth contributing a maximum of 1/3 of project costs. All funds are distributed based on a grant application process with rigorous quarterly and annual reporting against performance outcomes.

The objective is to address threats posed by natural disasters through mitigation projects via:

- Carrying out natural disaster risk management studies;
- Development of natural disaster mitigation strategies;
- Investment in disaster resilient public infrastructure;
- Mitigation measures for all natural hazards; and
- Community awareness and readiness measures
- Partnership agreement between State of Victoria (OESC) and Commonwealth.

In relation to the above grants, the Department of Justice will need to annually acquit how the funds received from the Commonwealth were spent according to terms of the agreement, noting that the Treasurer needs to report to the Ministerial Council on Federal Financial Relations within 6 months of the end of each financial year.

The Treasurer’s report to the Ministerial Council will report total expenditure for each NP, stating both expenditure of Commonwealth project and facilitation funding and State co-contributions where these are required by the NP.

1.21 Racing portfolio

1.21.1 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

There have been no Federal grants received by the Department of Justice in relation to the Racing portfolio.

1.21.2 Budget Paper No.4, page 45 lists the forward estimates for revenue from gambling taxes, listing racing industry revenue separately. Please provide details of the proportion of forward estimates that is derived from jumps racing revenue.

Forward budget estimates are the responsibility of the Treasurer. However, based on industry figures for the past three financial years, the proportion of wagering tax that is derived from jumps racing is likely to represent less than 1 per cent of total Government revenue from wagering.

Department of Planning and Community Development

1.22 Aboriginal Affairs portfolio

1.22.1 Further information in relation to the Budget Estimates for 2009-10 for the Aboriginal Affairs Portfolio.

Please find [on the following page] a summary of the Commonwealth funding for Indigenous-specific initiatives for the next four years for Victoria as agreed in Special Purpose Payments and National Partnerships. This information has been sourced from the Department of Treasury and Finance.

Please note that this funding refers to Indigenous-specific initiatives and does not include Indigenous people's broader usage of mainstream programs or Indigenous-specific elements within broader initiatives. In addition, this information does not reflect the Commonwealth's expenditure of its own funds in Victoria.

VICTORIA INDIGENOUS FUNDING – COMMONWEALTH BUDGET

Function	Appropriation	Title	2008-09	2009-10	2010-11	2011 -12	2012-13	Grand Total
Affordable Housing	Special Appropriation – National Partnership	Indigenous housing national partnership – to facilitate the transfer of responsibility of housing from the Commonwealth to the State	5,764,000	4,519,000	2,526,000	2,520,000	2,521,000	17,850,000
Healthcare	Annual Appropriation – National Partnership	Indigenous health – delivering effective primary health care		6,990,000	7,770,000	8,350,000	8,770,000	31,880,000
		Indigenous health – fixing the gaps and improving the patient journey		2,300,000	2,300,000	2,300,000	2,300,000	9,200,000
		Indigenous health – healthy transition to adulthood		1,600,000	1,600,000	1,600,000	1,600,000	6,400,000
		Indigenous health – making Indigenous health everyone's business		1,000,000	800,000	300,000	300,000	2,400,000
		Indigenous health – tackle smoking		2,300,000	1,930,000	1,930,000	1,930,000	8,090,000
	Special Appropriation – National Partnership	Indigenous early childhood development – antenatal care, pre pregnancy and teen sexual and reproductive health		748,000	992,000	1,140,000	1,188,000	4,068,000
Schools and Early Childhood	Special Appropriation – National Partnership	Indigenous early childhood development – Service Integration: Children and Family Centres	994,000	4,243,000	3,859,000	3,141,000	2,209,000	14,446,000
	Special Appropriation – Other agency	Indigenous education strategic initiatives program – access to maternal and child health services	3,656,000					3,656,000
Total Commonwealth Funding			10,414,000	23,700,000	21,777,000	21,281,000	20,818,000	97,990,000

1.23 Community Development portfolio

1.23.1 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

The Community Development Portfolio has not received any Federal grants.

1.23.2 Breakdown of the output cost of the Community Development output group.

DPCD Budget 2009-10	Notes	$M
Community Foundations		1.31
Regional Teams		9.38
Connecting Communities		2.24
Fair and Affordable Credit		0.60
Flexible Community Transport		4.15
Implementing reform in the Not-for-profit Sector		2.95
Community Support Fund adjustment	**1**	6.10
Investment Services		0.88
Men's Shed		1.00
Neighbourhood Houses		20.26
Planning for Sustainable Communities		2.15
Volunteering		2.50
Accommodation, Information Technology, Depreciation, Capital Asset Charge and corporate costs		8.28
DPCD Budget 2009-10	**2**	**61.80**

Notes

1. *The adjustment results from the timing of payments from the Community Support Fund (CSF) for community projects in the 2009-10 years.*
2. *The Community Development Output budget allocation for 2009-10 is $61.8 million*

1.24 Local Government portfolio

1.24.1 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

Commonwealth General Revenue Assistance for Local Government in Victoria is channelled through the Department of Planning and Community Development. Recommendations as to how these funds are allocated between Victoria's 79 councils are made annually by the Victoria Grants Commission through [the Minister] to the Commonwealth Government.

The Commonwealth Government has advised that an estimated $451.1 million will be provided as general revenue assistance to Victorian councils in 2009-10. This comprises general purpose payments of $329.5 million and local roads payments of $121.6 million. The Commonwealth has advised that a quarter of those payments will be made in advance prior to the end of June 2009.

The payments to councils are subject to the Department of Planning and Community Development's normal audit procedures. Performance measures relating to these payments have been established as part of the 'Developing the Local Government Sector' output on page 179 of Budget Paper No. 3 for 2009-10. However, it should be noted that, in accordance with the (Commonwealth) *Local Government (Financial Assistance) Act 1995*, the funding is untied, and no conditions can be attached to the provision of these funds to councils.

As [the Minister] indicated at the Public Accounts and Estimates Committee hearing on 18 May 2009, the pool of funds provided by the Commonwealth for Local Government is too low. In 1996, financial assistance to Local Government was 1.02% of the total amount collected by the Commonwealth in taxation. That share is now down to 0.64%, leading to a shortfall in funding of about $250 million per year.

We will continue to work with the Commonwealth Government to ensure that Victoria's councils receive a fair share of Commonwealth revenue.

1.25 Planning portfolio

1.25.1 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

The following Grants have been received:

Heritage Council Grants

In 2008109 the Heritage Council received the following:

- $40,000 National Supporting Local Government Project – money received and acquitted in 2008/09 Financial Year.
- $50,000 Cooperative National Heritage Agenda – Heritage Trades and Professional Training Project.
- $90,000 Cooperative National Heritage Agenda – Heritage and Sustainability – Commercial Buildings Project.

The accountability measures to deal with this program are:

- Grants were delivered through standard Federal Dept of Environment, Water, Heritage and the Arts (DEWHA) funding agreements.
- The projects are monitored by the Heritage Chairs and Officials of Australia and New Zealand (or a sub-group).
- Reports are made to the Environment Protection and Heritage Standing Committee twice a year.
- Acquittal of the money and a financial report is prepared for DEWHA by the Heritage Council.

Housing Affordability Fund/electronic Development Assessment (HAF/eDA)

DPCD has been allocated $6.5M by the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) under the Housing Affordability Fund for the further development and integration of electronic development systems and processes. The funding will be made available from 2009-11 and is to:

- increase the take-up and use of electronic development assessment systems
- focus on high growth councils; and
- make existing systems compliant with the national electronic development assessment technical standard (eDAIS)

The accountability measures to deal with this program are included in a Memorandum Of Understanding (MOU) which has been executed between DPCD and FaHCSIA and endorsed in writing by the MAV. The MOU was signed on May 8, 2009.

The MOU stipulates 6 milestone payments from commencement of the program which is deemed to be when the MOU was executed.

The deliverables are only able to be changed with the Federal Minister's approval

1.25.2 Further information on the rebuilding currently underway in bushfire affected communities.

The Victorian Bushfire Reconstruction and Recovery Authority is facilitating community driven shared visions for bushfire affected communities; community needs assessments and assessment of land capability and suitability to meet such needs.

These will be translated into land use, infrastructure and facilities proposals for fire affected townships and communities with DPCD providing input to:

- the alignment of such proposals with regional and sub regional strategies;
- urban design frameworks;
- statutory controls and planning scheme matters.

Substantial red tape reduction has been achieved for rebuilding individual properties and clean up activities. No permits are required for:

- bushfire recovery operations including site clean-up and the provision of temporary accommodation, and also buildings and works with an estimated cost of $1,000,000 or less, carried out by or on behalf of a municipality;
- rebuilding a dwelling damaged or destroyed by the 2009 bushfires if it is sited in the same location on the land and construction is commenced prior to 31 March 2011.

Permit requirements and prohibitions for use do not apply to rebuilding and use of a dwelling, dependent person's unit or a building used for agriculture that was damaged or destroyed by a bushfire that occurred between 1 January 2009 and 31 March 2009. Conditions must be satisfied before rebuilding can commence, including a requirement for the landowner to submit a site plan for approval by the responsible authority. The provision is consistently applied state-wide.

1.26 Senior Victorians' portfolio

1.26.1 Estimated completion date for the Residential Aged Care fabric survey.

The expected completion date of the aged care component of the present state-wide fabric survey is the end of November 2009.

1.26.2 Total output cost of the Residential Aged Care fabric survey.

The indicative cost of the aged care fabric survey component is $1 million.

1.26.3 Breakdown of the increase in Commonwealth and third-party revenue, as referenced in footnote (d) on page 99 of Budget Paper 3.

The 2009-10 Commonwealth and third-party revenue estimate for Public Sector Residential Aged Care Services (PSRACS) is based on 2007-08 reported revenue in Hospital Annual Reports.

It is estimated that Commonwealth revenue will increase by $7.5 million and third-party (resident) revenue by $1.0 million in 2009-10 compared to 2008-09 target.

Revenue for Public Sector Residential Aged Care flows directly to services as a bed day subsidy and, although in budget paper targets, does not come to the State as a Federal Grant.

1.26.4 The number of residential aged-care facilities in category 1, 2 and 3 as a result of the 2008 fabric survey.

The 2008 fabric survey is in progress and the number of facilities in categories 1, 2 and 3 will be confirmed upon completion of the survey.

1.26.5 The number of residential aged-care facilities identified in 2001 but not developed as of last year that are now in category 1 and 2, and whether they have been funded to fix their facilities.

All facilities have met the Commonwealth certification requirements. From the 2001 fabric survey, DHS identified: 11 facilities as Category 1; 33 facilities as Category 2.

Presently, of the Category 1 facilities, 10 have been rebuilt or redeveloped, and one has closed.

Presently, of the Category 2 facilities, 14 have been or are being rebuilt or redeveloped and two have closed. The remaining 17 are having their service plans or capital plans reviewed, or will be the subject of service planning and/or capital planning in the future.

1.26.6 Amount of funding provided for cognitive dementia and memory services.

Victoria provides the only state-wide network of Cognitive, Dementia and Memory Services (CDAMS) specialising in early diagnosis and assessment of dementia.

There are 14 health services funded to provide CDAMS, which are delivered at 18 sites. These clinics are accessible to all Victorians. CDAMS clinics provide early diagnosis and assessment of dementia and referral to services. Dementia can be diagnosed through a series of medical tests, and information provided by families and carers about changes in behaviour and memory over time are vital components of the diagnosis. CDAMS is a component of the sub-acute service system.

An independent evaluation undertaken in 2003 found that CDAMS provide an effective early diagnosis, assessment and support service for people with cognitive difficulties, particularly older people with dementia, and their families or carers. Review of the local and international literature indicated that the Victorian CDAMS are at the leading edge of good practice in early intervention with cognitive impairment.

The total amount of funding provided for CDAMS in 2009-10 is $4.75 million.

1.26.7 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

Under the existing arrangements, the department would receive Commonwealth Government payments into its administered entity; transfer the dollar value of the receipt to the Consolidated Fund and then using appropriation authority under Section 29 of the Financial Management Act 1994 (FMA) drawdown an equivalent amount into its controlled entity to meet expenditure. Where a new Commonwealth SPP is established during the year, access to funds may be provided by Governor-in-Council approval under Section 10 of the Financial Management Act.

For new partnership agreements, funds will now be paid centrally to DTF by the Commonwealth Treasury. For payments received post 1 January 2009, DTF will receive a total payment from the Commonwealth and transfer this amount to the Consolidated Fund. Once the payment has been received, DTF will inform the department of specific funding details using information provided by the Commonwealth Treasury.

Once the department has been notified of the amounts notionally received for each agreement, the department can then use the Section 29 authority to draw the equivalent amount from the Consolidated Fund in line with the pre-January 2009 arrangements.

Section 29 of the FMA relates to monies received by departments from third parties under an agreement with the Treasurer. It allows a department to increase its appropriation by amounts equal to receipts provided that there is a Net Appropriation (Receipts Retention) Agreement in place.

A Net Appropriation (Receipts Retention) Agreement is signed by the Treasurer and the relevant Minister. The department’s budget is adjusted in accordance with the actual receipts for the year.

The Treasurer will be required to report total expenditure for National Partnerships, stating both expenditure of Commonwealth project and facilitation funding and State co-contributions where these are required by the National Partnership, to the Ministerial Council for Federal Financial Relations within six months of the end of each financial year. This information is expected to be collected as part of the annual Financial Report for the State of Victoria data collection exercise, and more information on the level of details and format for the provision of this information will be provided at a later stage.

Estimated Home and Community Care (HACC) Federal Grants 2009-10

HACC Program	**$282.6M** (inc $17.3M in growth)
Veterans' Home Care: financial contribution in recognition of Veteran access to HACC	**$4.1M**
HACC Bonus Pool: funding available to states and territories that work cooperatively towards the timely introduction of common arrangements to improve national consistency in the triennium 2008-09 to 2012-11	**$1.2M**
Total	**$287.9M**

The accountability for HACC funding is through the annual Business Report. The Business Report includes an analysis of achievements against targets by region and service activity, certification of funds, and a tally of financial reports received from funded organisations. Bonus pool funds are accounted for through progress reports against an approved implementation plan.

Estimated Aged Care and Assessment (ACAS) Federal Grants 2009-10

ACAS Program	**$17.2M**
Evaluation, training and development activities	**$0.3M**
COAG project funding to improve timeliness and consistency of ACAS assessments	**$1.0M**
DVA funding in recognition of Veteran access to ACAS	
Total	**$19.5M**

The accountability for ACAS funds is maintained through an acquittal process conducted around September each year and the ACAS Minimum Data Set, including data on assessment outputs and waiting times, submitted quarterly. Council of Australian Governments (COAG) funds are accounted for through progress reports, dates of which are negotiated.

1.27 Sport, Recreation and Youth Affairs portfolio

1.27.1 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

Federal grant	Description	Accountability
State Sport Development Agreement – Indigenous Sport Program 2006-2009. The total funding amount received by the Department of Planning and Community Development (Sport and Recreation Victoria (SRV)) from the Australian Sports Commission (ASC) over the three year period is $387,711.63. A further Agreement is being prepared for 2009-2010 under which funding from the ASC will amount to $133,760.	*The State Sport Development Agreement – Indigenous Sport Program* promotes sport development in partnership with the ASC. This joint initiative increases participation in sport, supports Indigenous people to organise, manage and deliver community sport and encourages talented Indigenous sports people to achieve their sporting goals. The Program also involves the delivery of a Cross Cultural Awareness initiative and Traditional Indigenous Games.	The State Sport Development Agreement – Indigenous Sport Program requires reporting on a six month basis to the ASC. The reports must include an overview of the programs/activities under two program objectives; the total number and type of programs/activities developed with other agencies; the total number of Indigenous people actively participating, including those that have completed or are completing coach/referee/official accredited courses and case studies. SRV is required to supply an Annual Financial Acquittal by 15 November of each year.
State Sport Development Agreement 2008-2009. The total funding received by the Department of Planning and Community Development (SRV) from the ASC is $195,000.	*The State Sport Development Agreement 2008-2009* provides for the delivery of a range of ASC Programs in Victoria. These include Innovation and Best Practice, Coaching & Officiating, Club Development, Women & Sport, Ethics, Junior Sport and Sports Connect (Disability Sport). The role of SRV is to work with sport at a State, regional and club level in achieving whole of sport initiatives, focusing on sustainability, capability and capacity of the sport industry at all levels.	*The State Sport Development Agreement 2008-2009* requires reporting on a six month basis to the ASC. SRV is required to complete a progress reporting template under seven topic areas (as listed at left) and also supply a final report at the conclusion of the funding period. SRV is to supply an Annual Financial Acquittal by 15 November 2009.
Career Education Program. The ASC/Australian Institute of Sport (AIS) provides $55,700 to the Victorian Institute of Sport (VIS).	*Career Education Program* funding supports the employment of a person by the VIS to deliver career education services to VIS athletes.	The Career Education Program delivered by the VIS is part of a national program. The VIS shares a national database with other institutes and has regular contact with the ASC/AIS, including the provision of activity reports.

1.28 Veterans' Affairs portfolio

1.28.1 Variation in the Veterans' Affairs portfolio budget

There has been no decrease to the Veterans' Affairs budget. The total 2009-10 Budget for the portfolio is $3.3 million which represents an increase of $800,000 from the $2.5 million budget in 2008-09.

There are two new budget initiatives in the Veterans' Affairs portfolio in 2009-10. The first is the allocation of an additional $750,000 per annum ($3 million over 4 years) to the Shrine of Remembrance to support the delivery of its educational and commemorative programs. The second is an allocation of $400,000 per annum ($1.6 million over 4 years) to support the implementation of the Government's response to the Victorian Veterans Council's Sector Study.

[The Minister] advised PAEC that there is also a $300,000 variation in the Veterans' Affairs portfolio budget this year. This relates to a downward adjustment reflecting the one off funding of $380,000 allocated to the Shrine in 2008-09, and other smaller increases in the forward estimates for existing initiatives. The $380,000 was provided to the Shrine last year as a one off increase to support the operating costs associated with meeting higher demand by school children and the general community. However, following a more comprehensive review of the Shrine's needs, ongoing funding has been increased by $750,000 a year. This brings the total funding for the Shrine by the Victorian Government to just over $2 million a year.

1.29 Women's Affairs portfolio

1.29.1 The website address and the date the Women's Safety Strategy was published on the internet?

The final version of the Women's Safety Strategy Evaluation 2002-07 was published on the 20 May 2009 on the Office of Women's Policy's website http://www.women.vic.gov.au. The report can be found in PDF and Word formats by following the headings Policies and Projects/Women's Safety/Women's Safety Strategy

1.29.2 Further information on the number of tenants, the amount of rent and the metreage being occupied in the Queen Victoria Women's Centre?

The Queen Victoria Women's Centre (QWVC) currently has nine tenants. The rental from leased office space in 2007-08 was $342,684 for an area of 1385.6 square metres.

In keeping with standard commercial practice, leases at the QWVC are negotiated with each tenant on the basis of location within the building and the range of additional services provided as part of the tenancy. The QWC Trust has advised that it considers the individual rental agreement with their tenants as commercial in confidence and not for public release.

1.29.3 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

The Office of Women's Policy did not receive any Federal grants in the 2008-09 financial year.

Department of Premier and Cabinet

1.30 Arts portfolio

1.30.1 Budget Paper No. 3 pages 194–195 identified declines in actual and expected attendances at major performing arts organisations in Victoria. Please provide a breakdown of attendances across individual agencies/institutions during the last three years.

2007-2008 Total Actual Attendances	**Total Attendances**
Orchestra Victoria	53,901
The Australian Ballet	270,461
Circus Oz	134,781
Melbourne Theatre Company	225,499
Opera Australia	129,255
Malthouse Theatre	57,206
Melbourne Symphony Orchestra	210,831
Total	**1,081,934**
NB Final actual attendance figures updated following publication in BP3	
2006-2007 Total Actual Attendances	
	Total Attendances
Orchestra Victoria	52,453
The Australian Ballet	240,265
Circus Oz	85,637
Melbourne Theatre Company	236,384
Opera Australia	151,618
Malthouse Theatre	65,871
Melbourne Symphony Orchestra	224,802
Total	**1,057,030**
2005-06 Total Actual Attendances	
	Total Attendances
Orchestra Victoria	55,684
The Australian Ballet	235,748
Circus Oz	123,495
Melbourne Theatre Company	240,797
Opera Australia	122,900
Malthouse Theatre	83,619
Melbourne Symphony Orchestra	186,455
Total	**1,048,698**

1.30.2 Breakdown of performance against established targets for the Melbourne Recital Centre including programming and hiring out.

The performance measures in the current funding agreement with the Melbourne Recital Centre are qualitative rather than quantitative and focus on the achievement of business establishment objectives associated with setting up appropriate governance and reporting arrangements for a new organisation.

The Melbourne Recital Centre opened on the 8th of February 2009. A number of special opening events and celebrations have taken place in the first months of operation. In recognition of these extraordinary events and the short period of operation within the 2008-09 financial year, no formal attendance targets were set for the 2008-09 financial year.

The 2009-10 agreement to be concluded in the near future will commit to monitoring attendances over a full year of operation with a view to determining performance measures appropriate to a new organisation and venue.

1.30.3 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

The 2009-10 Commonwealth budget announced a number of initiatives that will benefit Victorian artists and arts organisations. Funds will be allocated directly to the arts organisations. The initiatives include:

- funding to refurbish the Australian Ballet School
- $2.3m for the Melbourne-based classical music recording company, Melba Foundation
- $9.6m for the ArtStart program for emerging artists over four years and an additional $1m for small to medium arts organisations

The Commonwealth Government also announced $5m funding from the economic stimulus package's grants for community infrastructure for the Horsham Town Hall development. These funds will be allocated to Horsham Rural City Council.

This is a $12 million project which will redevelop the Horsham Town Hall auditorium as a performing arts centre and improve the Horsham Art Gallery. $5 million will be funded by the Commonwealth, $5 million by the State and $2 million from the Local Council.

Victoria is currently negotiating two new partnership initiatives with the Commonwealth Government to deliver education and community outcomes:

Commonwealth funding for the Community Partnerships Service Delivery Network is valued at $150,000 per annum for three years.

- The initiative brings together a network of existing Victorian organisations and agencies who deliver support services in the arts and community sectors.
- The network will work collaboratively to develop an action plan to secure resources, to develop and broker partnerships, and to strengthen the capacity of the arts to address social issues and community needs.

Commonwealth funding for the Creative Education Partnerships: Artist-in-Residence initiative is valued at $200,000 per annum for four years.

- This initiative will support collaborative projects between arts organisations and schools over a minimum two school terms.

The Major Performing Arts Inquiry (2000) has informed joint Commonwealth / State funding of Victoria's seven Major Performing Arts Companies. In 2009 Victorian funding of $6.8M leverages $24.5M from the Commonwealth.

Joint Commonwealth / State funding arrangements are also in place for six Victorian visual arts organisations through the Visual Arts and Craft Strategy.

Accountability mechanisms are in place for all partnership initiatives. Mechanisms include annual reporting on financial commitments and agreed program outcomes.

1.31 Multicultural Affairs portfolio

1.31.1 Details of funding to support refugee students within the Victorian school system.

This question has been referred to the Minister for Education and Early Childhood Development for her response.

1.32 Premier's portfolio

1.32.1 A consolidated list on the capital and operating side of the whole of government grants provided to Victoria by the federal government, including those made from the Building Australia Fund.

The Department of Treasury and Finance will provide a whole of government response from the Treasurer to this question.

1.32.2 Funding details for drought outreach workers.

As part of the $100 million drought package announced in October 2007, $2.25 million was provided for the appointment of Drought Coordinators for municipalities impacted by drought. As specified in funding agreements between the State Government and local councils, funding for Drought Coordinators was for 18 months, ending at 30 June 2009.

Participating councils have been largely positive about the Drought Coordinator Program. Coordinators have implemented drought response plans, established partnerships to attract resources and provided a central source of information on drought related matters.

The Victorian Government is aware of the challenges posed by the ongoing drought and remains committed to providing assistance to those in need. In keeping with this, since September 2006 the Government has provided over $400 million to fund a range of initiatives for drought-affected farmers, small businesses and communities. Drought impacts across the State will continue to be monitored and the need for further assistance will be reviewed as the season unfolds.

1.32.3 A breakdown of the expenditure components of the output Developing the Local Government Sector.

The 2009-10 output cost for 'Developing the Local Government Sector' shown in the Budget Papers is $41.7 million. This cost is for the operating budget for Local Government Victoria.

The itemised cost is as follows:

Salaries	–	$2.915 m
Operating Costs & Overheads	–	$2.886 m
Grants	–	$35.941 m
Total		**$41.742 m**

1.32.4 Projected annual savings, from the Northern Victorian Irrigation System, in years when the losses from the system are less than 400,000 mega litres per year and the cost per mega litre of water saved in such years.

The water savings figure of 225 GL from Stage 1 per annum is a *long term* average. Water savings will vary between years as they are partly a function of how much water is delivered to irrigators through the distribution system. In dry years, losses and savings will be lower than the average, whereas in other years, losses and savings may be exceeded. Even in low allocation years, as long as the channels are run, there will be some savings from the fixed component, which is where losses occur due to initially filling and operating the channels. Excess water savings will be held in storages and accessible in the following year.

Savings will be audited every year for monitoring and modelling purposes but it is not useful to focus solely on a year by year figure. What is paramount is that the overall project, Stages 1 and 2, will increase the irrigation system's efficiency to 85%, which we believe represents world's best practice for an open irrigation system. This means that we will continue to capture water savings over the long-term. The fact that there has been less water over recent years makes this project even more critical as we attempt to capture water where we can, as every drop counts.

Department of Parliamentary Services

1.33 Parliamentary Departments portfolio

1.33.1 A reconciliation of estimated Parliamentary expenditure between the Budget Papers and the Appropriation Bill.

[See the table, *Reconciliation of Parliament's Budget Papers and Appropriation Bill 2008-09 and 2009-10*, over]

RECONCILIATION OF PARLIAMENT'S BUDGET PAPERS AND APPROPRIATION BILL 2008-09 AND 2009-10														
	LEGISLATIVE COUNCIL		LEGISLATIVE ASSEMBLY		PARLIAMENTARY SERVICES		JOINT INVESTIGATORY COMMITTEES		VICTORIAN AUDITOR GENERAL		TOTAL – EXCLUDING VAGO		TOTAL – INCLUDING VAGO	
	2008-09 Budget	2009-10 Estimated Budget	2008-09 Budget	2009-10 Estimated Budget	2008-09 Budget	2009-10 Estimated Budget	2008-09 Budget	2009-10 Estimated Budget	2008-09 Budget	2009-10 Estimated Budget	2008-09 Budget	2009-10 Estimated Budget	2008-09 Budget	2009-10 Estimated Budget
	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's
Figures Published in Appropriation Bill	2,637	2,724	4,076	4,234	68,449	69,054	6,237	6,370	12,003	13,666	81,399	82,382	93,402	96,048
Add Special Appropriations	6,213	13,042	13,765	25,464					276	451	19,977	38,506	20,253	38,957
Less ATNAB Included in Bill					−860	0					−860	0	−860	0
Add Output Carryover to 2009-10					3,060						3,060	0	3,060	0
Output Carryover to 2008-09						5,825					0	5,825	0	5,825
Section 29 Receipts Retention Agreement									15,500	19,500	0	0	15,500	19,500
Other Revenue (Recoupment of Expense, Secondees etc)										100	0	0	0	100
Total Appropriations	8,850	15,766	17,841	29,698	70,649	74,879	6,237	6,370	27,779	33,717	103,576	126,713	131,355	160,430
Rounded to millions	8.8	15.8	17.8	29.7	70.6	74.9	6.2	6.4	27.8	33.7	103.6	126.7	131.4	160.4
Figures Published in 2008-09 Budget Paper 3	8.8	15.8	17.8	29.7	70.7	74.9	6.3	6.4	27.8	33.7	103.6	126.8	131.4	160.5

1.33.2 Further information regarding the adjustments made to budget output targets for the Parliamentary Services output.

- The output structure and types of output measures for Parliament for 2009-10 have remained the same as those in 2008-09. The output measure targets for the Legislative Assembly, the Legislative Council and Investigatory Committees remain unchanged for the year 2009-10. However, some of the targets for Parliamentary Services have been revised upwards based on 2008-09 expected outcome (see table below)
- The output measures for the Parliamentary departments are going to be reviewed in 2009-10.

Major Outputs/Deliverables *Performance Measures*	**Unit of Measure**	**2009-10 Target**	**2008-09 Expected Outcome**	**2008-09 Target**	**2007-08 Actual**
Provision of Information and Resources to Parliament					
Visitor sessions on library intranet site	number	48,000	48,000	40,000	49,467
Service requests satisfied	number	10,000	10,000	8,500	9,109
Items processed for retrieval	number	42,000	42,000	27,000	42,981
Briefings provided	number	200	200	140	164

1.33.3 Details of response rates for Parliamentary Client Satisfaction Surveys.

Parliamentary Client Satisfaction Surveys started in 2002 with 53% response rate. The response rate for the last three years is summarised below:

Financial Year	2005-06	2006-07	2007-08
Response Rate %	42	41	31

In 2007-08 only 21 out of 128 Members of Parliament responded to the survey.

1.33.4 Breakdown of revenue generated through the activities of the catering division and information about how these receipts are accounted for.

The Parliament refreshment rooms are treated as a separate entity to the Parliament for all purposes. The accounts of the refreshment rooms are consolidated with the Parliament's accounts when reported to the Department of Treasury and Finance and also in the annual financial statements. Any shortfall in revenue over expenditure is made up by means of a subsidy paid by the Department of Parliamentary Services to the refreshment rooms.

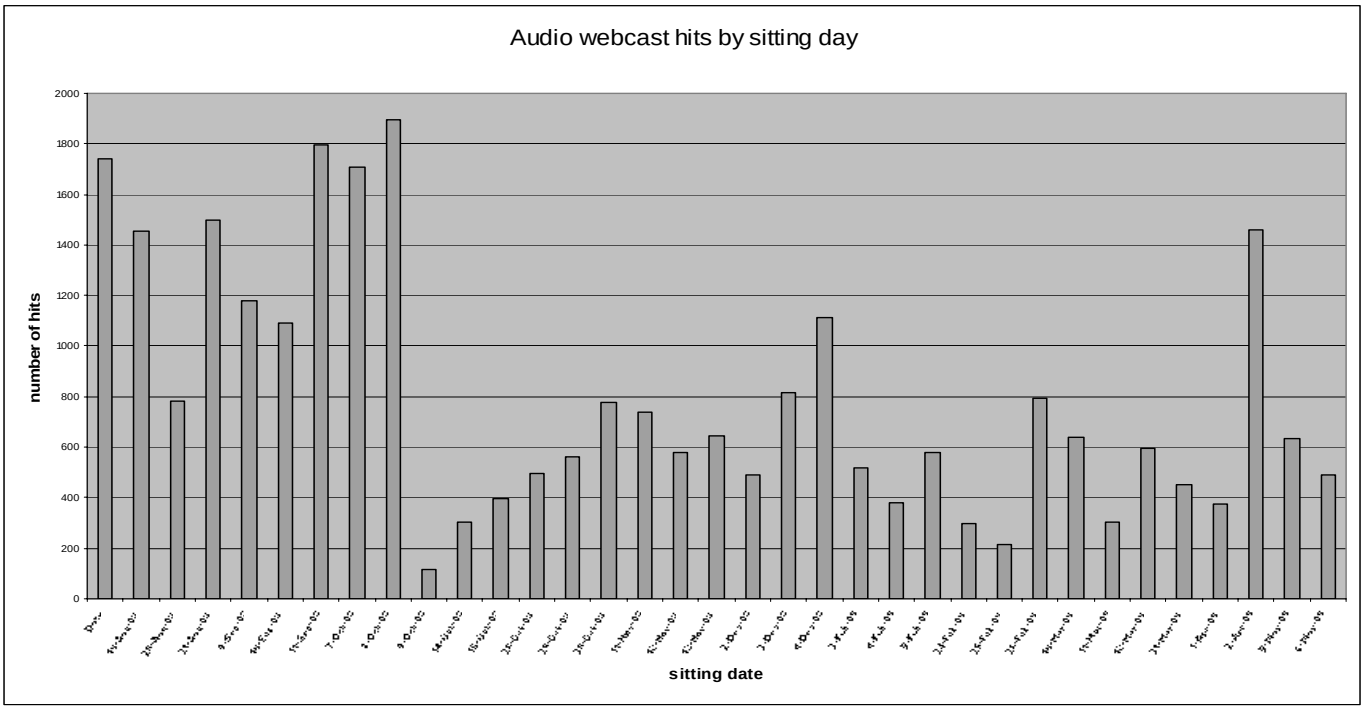
This is reflected in the Parliament's financial statements as follows:

Note 3 (b)	Other revenue – Parliament refreshment rooms	$1,163,563
Note 3 (e)	Parliament refreshment rooms Expenses	
	Cost of goods sold	$386,384

Other expenditure	$996,863

1.33.5 Statistics on the uptake of audio broadcasting of Parliamentary proceedings, including the number of people listening to the broadcast on an average sitting day.

Audio broadcasting statistics is monitored in terms of number of hits to the site. The average number of daily hits is 797 per day, but it is highest on Tuesdays. Average number of hits for the



last 3 sitting days has been 862. Graph below shows the audio web casting hits by sitting day

Department of Primary Industries

1.34 Agriculture portfolio

1.34.1 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

As detailed in the 2009-10 Budget Paper 4 on page 210, the Department of Primary Industries (DPI) receives and on-passes a Federal grant in relation to Exceptional Circumstances (EC) Interest Rate Subsidy Payments. This is the only Federal Government grant that DPI or its agencies receive directly.

DPI is involved in other projects (such as the Energy Technology Innovation Strategy) which receive Federal Government funding, however this funding is provided directly to the proponent.

The estimated expenditure in DPI's budget for EC Interest Rate Subsidy payments in 2009-10 is $66 million. This amount consists of estimated Federal Government funding of $59.4 million and the estimated State matching contribution (10%) of $6.6 million.

The EC Interest Rate Subsidy is a demand driven program and expenditure is closely correlated with variations in seasonal conditions, making it difficult to forecast budget and estimate expenditure. Actual funding for 2009-10 will be determined once the need has been assessed.

Grant requirements are based on means test and eligibility under Federal Government Exceptional Circumstances guidelines (established by the Federal Minister for Agriculture, Fisheries and Forestry) and administered by the Rural Finance Corporation.

1.34.2 Amount of funding committed to fruit fly control in Victoria.

DPI is anticipating to spend approximately $6 million on fruit fly control across Victoria for the 2009-10 season. This amount includes recurrent funding of $3.69 million (an increase of $0.29 million 601n 2008-09) for base level fruit fly policy, prevention, market access, monitoring and some suppression activities.

1.35 Energy and Resources portfolio

1.35.1 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

As detailed in the 2009-10 Budget Paper 4 on page 210, the Department of Primary Industries (DPI) receives and on-passes a Federal grant in relation to Exceptional Circumstances (EC) Interest Rate Subsidy Payments. This is the only Federal Government grant that DPI or its agencies receive directly.

DPI is involved in other projects (such as the Energy Technology innovation Strategy) which receive Federal Government funding, however this funding is provided directly to the proponent.

The estimated expenditure in DPI's budget for EC Interest Rate Subsidy payments in 2009-10 is $66 million. This amount consists of estimated Federal Government funding of $59.4 million and the estimated State matching contribution (10%) of $6.6 million.

The EC Interest Rate Subsidy is a demand driven program and expenditure is closely correlated with variations in seasonal conditions, making it difficult to forecast budget and estimate expenditure. Actual funding for 2009-10 will be determined once the need has been assessed.

Grant requirements are based on means test and eligibility under Federal Government Exceptional Circumstances guidelines (established by the Federal Minister for Agriculture, Fisheries and Forestry) and administered by the Rural Finance Corporation.

1.35.2 Further information

The Minister for Energy and Resources undertook to provide the Committee with a list of actions arising from the Review of the April 2008 Windstorm Report that relates to DPI and progress against each of these recommendations. The table below details this information:

Recommendation	ACTIONS TAKEN BY DPI
Recommendation 4 – Electricity distribution businesses develop and implement alternative arrangements for monitoring fallen powerlines.	• Electricity distribution businesses put in place alternative arrangements for monitoring fallen powerlines for a strong wind event expected in early March 2009 • The distribution businesses also placed representatives in the Integrated Emergency Coordination Centre (IECC), the State Emergency Response Coordination centre (SERCC) and the Metropolitan Fire and Emergency Services Board (MFB) operations room to assist with coordination between the businesses and emergency services. • DPI is working with the businesses to further develop these processes and embed them into the businesses' standard operating procedures.
Recommendation 5 – DPI establish a senior emergency management position to strengthen the Department's role in emergency management.	• DPI is progressing work to appoint a suitably qualified person to this role.
Recommendation 6 – DPI responsibility for emergency management within the energy sector needs to be reinforced consistent with recommendation 5.	• DPI responsibility for emergency management in the energy sector is largely determined by the legal and regulatory framework for the industry and by industry emergency procedures. • DPI is working with the industry to clarify responsibilities where this Framework is unclear.
Recommendation 10 – Electricity distribution and retail businesses work with DHS and hospitals to review the registration, notification and removal process for those on life support machinery.	• The businesses have processes in place to advise and address the needs of those customers who have special needs. • The needs of these customers (in terms of restoration and load shedding priorities) is considered at electricity industry forums involving VENCorp and DPI.
Recommendation 11 – Energy Safe Victoria finalise the development of Passport system enabling operators to access qualified interstate power restoration personnel.	• The Electricity Supply Industry at a national level has committed to the Passport system. Work to ensure consistency of qualifications and training is continuing
Recommendation 12 – DPI work through the appropriate Ministerial Councils to seek alignment of competency standards for line workers across jurisdictions.	• This matter is currently being addressed through the appropriate Ministerial Councils. Funding for the alignment project is being provided by the Commonwealth.
Recommendation 15 – DPI, DPC and Office of the Emergency Services Commissioner (OESC) review and clarify energy sector emergency trigger points for the activation of Central Government Response Committee (CGRC).	• DPI's Energy Sector Development Division is now represented on CGRC to facilitate triggering CGRC during energy sector emergencies.

Recommendation 16 – DPI clearly document responsibilities within the Department to ensure better coordination of public information during emergencies.	• Action is being taken to clearly document these responsibilities. • DPI's lack of participation in coordination of public emergency communication through Emergency Management Joint Public Information Committee (EMJPIC) has been addressed and DPI staff have actively participated in EMJPIC during subsequent heatwave and bushfire events • A brochure advising electricity consumers on how to prepare for and deal with power outages has been prepared and is available on DPI's website.
Recommendation 26 – VICSES, DPI, Energy Safe Victoria (ESV) and the energy sector develop coordinated safety messaging about preparedness for storm events and clearly outline responsibility for delivering these messages before, during and after an emergency.	• VICSES has developed a community education strategy for storms, and has worked with other government agencies and energy companies to identify appropriate messages. • ESV and the distribution businesses have published a common set of 'Storm Facts' on their websites. • VICSES put out media releases publicising electrical safety messages. • ESV has put out the warning messages before all recent wind and extreme weather events. • The VICSES State Storm Response plan is currently under development. It will detail all support agencies' roles.
Recommendation 30 – DPI in consultation with the Energy sector develop and implement a MoU or similar that provides a single contact for emergency information and arrangements for co-ordinating communication to the public, government, emergency agencies and distribution business during significant power outages.	• Arrangements were in place prior to 7 February 2009 for National Electricity Market Management Company (NEMMCO) to act as the single industry spokesperson. During the bushfires, NEMMCO provided information on outages arising both from damage to the wholesale or bulk supply network and about local distribution level outages. • Information on distribution outages was collated through regular industry teleconferences organised by VENCorp. DPI is working to formalise these arrangements with the industry.
Recommendation 32 – The electricity distribution businesses enhance power outage information on their websites and consider improving their capacity to communicate with customers.	• The electricity distribution businesses have already moved to improve information available for consumers and are working to further enhance their public information systems. • DPI is collecting information on electricity distribution business use of SMS, IVR, email and websites to support their call centre. The businesses have made considerable progress on this matter over the past 12 months.
Recommendation 34 – VICSES work with the electricity distribution businesses, DPI and Energy Safe Victoria to develop and implement a joint community education program for public safety during and after storms and power outages.	• ESV and a distribution company representative have met with VICSES to discuss this initiative and develop industry messaging to be used in the program. • DPI has developed a power outage brochure in consultation with relevant agencies and published it on its website.

1.35.3 Costing by Government of an Environment Victoria (EV) feed-in tariff model and subsequent costings by EV on the government's work.

(a) *The question raised by Dr Sykes referred to Environment Victoria's response to costing, which said that the calculation of $99 per household was wrong because Government had failed to count the value of the power generated at 17 cents a kilowatt hour.*

The Government's costing of Environment Victoria's scheme did not take into account the value of the power exported. If it did take that into account it would not be at the retail price of 17 c/kWh but rather at the wholesale price of electricity at 6 c/kWh. The modelling of the $99 cost also did not take into account the additional costs of administering the premium feed-in tariff scheme for electricity retailers. Retailers will incur costs associated with making premium feed-in tariff offers and associated system changes. Retailers will wear those costs as there is no cost recovery mechanism in the Bill for retailers. It is likely that any benefit from the feed-in tariff received by retailers will be outweighed by the costs of the scheme to the retailers.

(b) *The Photovoltaic (PV) capacity factor had been overestimated; it was estimated at 18 and it should be 13.5.*

According to modelling for the Department by McLennan Magasnik Associates (MMA), the capacity factors for solar PV in Victoria range from 16.3 to 19.2%. This was calculated using the RETS Screen International Model (available at www.retscreen.net), for a fixed PV array with a 30 degree slope, based on a BP mono-silicon technology (BP 1570 S model).

If the capacity factor is 13.5%, then PV manufacturers have been providing misleading information regarding the capacity factor of PV panels. Furthermore, if the capacity factor is 13.5%, then the cost (of abatement) associated with PV panels is even higher then stated in the modelling.

(c) *The Government had charged the cross-subsidy cost as a f i t amount to households only instead of across all electricity customers as a percentage of their electricity use. What is your response lo Environment Victoria's response to your response to its proposition?*

The $99 calculation was from a simple model that demonstrated the average cost of the premium feed-in tariff scheme for a household. As the cost of the premium feed-in tariff will be passed on to the electricity retailers from the electricity distributors through the residential network charges, it was reasonable to assume that households will be the ones paying for the scheme.

Department of Sustainability and Environment

1.36 Environment and Climate Change portfolio

1.36.1 Commonwealth Grants

As [the Minister] advised the Committee, there are three grants expected from the Commonwealth Government in 2009-10 within the Environment and Climate Change portfolio. [The following table] provides an overview of these programs, including their accountability mechanisms.

Program	Entity	2009-10 Budget	Description	Accountability
Caring For Our Country	DSE	$45.4 million	• To address key environmental issues including species and habitat, salinity and water quality, coastal and pen-urban pressures, productive and sustainable landscapes, and climate change.	• Commonwealth has a Monitoring, Evaluation, Reporting and Improvement (MERI) strategy in place for the Caring For Our Country Program. Outcomes are also monitored via an annual report card, which is publicly released by the Commonwealth. • Project proposals, with key deliverables and milestones, are also required in order to source this Commonwealth funding.
Renewable Remote Power Generation Program	SV	$3.8 million	• Provides rebates for renewable generation for properties (households, businesses and government) located more than I km from the electricity grid.	• Several accountability mechanisms are in place, including project proposals being required prior to funding being provided, monthly reporting by SV on the applications received, and an annual report to the Commonwealth by SV, including audited financial statements.
Murray Darling Basin Sustainable Rivers Audit	EPA	$0.4 million	• Biological assessments of Victorian rivers and streams in the Murray Darling Basin	• The EPA is required to submit regular monitoring and expenditure progress reports, with detailed reports provided twice yearly on the Sustainable Rivers Audit, and annually on the Southern Basins and Reference Condition programs.

1.36.2 Rivers with improved environmental flows

The output 'Sustainable Water Management and Supply' as reflected on pages 212–214 of the 2009-10 Budget Paper 3 comes within the portfolio of the Minister for Water.

However, [the Minister for Environment and Climate Change] understand[s] that the performance measure reports on the ongoing water recovery program to improve environmental flow regimes in 20 rivers. These rivers have been identified through strategies such as *Our Water Our Future* and the *Central Region Sustainable Water Strategy*, and include the Campaspe, Thomson, Barwon, Maribyrnong and Latrobe River Systems. This performance measure also reports on the Snowy and Murray Rivers which are the subject of Inter-Governmental Agreements. Further information can be sought from the Minister for Water, if required.

1.36.3 Beach Renourishment

The Government has implemented a number of initiatives aimed at enhancing Victoria's beaches. This includes a $9 million TEI provided as part of the 2005-06 State Budget to protect Victoria's coastal environment and to progressively renourish bay beaches, and in particular, Middle Park beach.

Additional funding of an $8 million TEI for the protection of our beaches and foreshores was committed under the National Parks and Biodiversity election policy, and funded as part of the 2007-08 Budget and is delivering a beach renourishment program across Port Phillip Bay.

More recently, a further $4 million TEI was provided by the Government as part of the Channel Deepening Support Package announced in November 2008 and included in the *2008-09 Budget Update*. This funding is to protect coastal assets and address the loss of sand at beaches around the Port Phillip Bay, including Port Arlington and North Aspendale.

[The Minister] can advise the Committee that significant works and improvements have been undertaken across the State. Beach renourishment was completed at Mentone-Mordialloc in 2007-08, and works are currently underway at Middle Park and Clifton Springs, with the commencement of design work at Altona, Elwood and Mt Martha North beaches.

Additional beach renourishment works to be undertaken with this Government funding will be determined according to the priority projects identified in the *Review of Beach Renourishment Priorities for Port Phillip Bay*, which was completed in April 2008. This report is available on the DSE website – www.dse.vic.gov.au.

1.36.4 Output Cost – Environmental Policy and Climate Change

The Environmental Policy and Climate Change output for the Department of Sustainability and Environment is reflected on page 221 of the 2009-10 Budget Paper 3. For 2007-08 the total output cost was $44.4 million.

The Environmental Policy and Climate Change output is comprised of the Environmental Policy and Climate Change Division within the Department, but also includes other environmental programs, including Sustainability Victoria activities that are funded through annual appropriations.

For the Environmental Policy and Climate Change division, staff expenses totalled $6.6 million in 2007-08 for approximately 75 staff (Full-time Equivalent). The division did not order or undertake any consultancies during 2007-08.

In terms of the 2009-10 year, it is estimated that staff expenses will be in line with the 2008-09 year. However, actual expenses and staff numbers cannot be provided until the end of the 2009-10 financial year. As at the end of May 2009, no consultancies are planned for 2009-10 within the division.

1.36.5 River Red Gums

As [the Minister] advised the Committee, the Government has provided a $38 million package – $32 million over four years and $6.5 million TEI, for river red gums. This funding will be used for a range of measures, including ongoing park management, restoration and fencing, ecological thinning, and the provision of a transitional assistance package for affected timber workers.

A breakdown of these measures across the four years (2009-10 to 2012-13) is provided [below].

Component	2009-10 ($m)	2010-11 ($m)	2011-12 ($m)	2012-13 ($m)	4 Year Total ($m)
Output Components					
Timber Industry Assistance Package	4.50	–	–	–	4.50
Ecological Thinning and grazing removal from ecological areas, including fencing and rehabilitation	2.50	2.50	2.50	.50	8.00
Park management, including park rangers	0.50	3.45	3.50	4.90	12.35
Regional Waste Management	–	0.20	0.30	0.30	0.80
Park boundary establishment and mapping	–	1.25	1.25	–	2.50
Pest plant and feral animal management	–	0.40	0.40	0.40	1.20
Establishment of Boards of Management and indigenous site protection works	–	0.25	0.30	0.40	0.95
Planning, recreation and community programs for new parks	0.00	0.33	0.32	0.23	0.88
System establishment to facilitate harvest of pest animals	0.20	0.20	0.20	0.20	0.80
Total – Output Funding	**7.70**	**8.58**	**8.77**	**6.93**	**31.98**
Asset Components					
Visitor Services management, including road and track upgrades and signage	–	0.30	1.37	0.84	2.51
Environmental water structural works	–	–	1.00	3.00	4.00
Total – Asset Funding	**–**	**0.30**	**2.37**	**3.84**	**6.51**

1.37 Water portfolio

1.37.1 Please provide a detailed explanation for the change in the performance output measures on page 214 of *Budget Paper No. 3*

Several performance measures within the Sustainable Water Management and Supply output have 2009-10 targets that vary from the 2008-09 targets. A brief explanation for each is provided on page 214 of the 2009-10 Budget Paper 3. Attachment 2 provides a further explanation for each measure as requested by the Committee.

1.37.2 Details of the policy timeframes for the public sector comparator information in the Partnerships Victoria framework.

As [the Minister] advised the committee, the Public Sector Comparator (PSC) will be disclosed in accordance with the Partnerships Victoria Framework. Under Partnership Victoria requirements, and in line with National Public Private Partnership (PPP) requirements, a project summary of each PPP must be released within three months of the project's financial close.

This project summary will provide a value-for-money comparison, which includes the risk adjusted PSC, excluding retained risk. The project summary will be tabled in Parliament at the time of its release. In addition, the executed PPP contract will be published on the contracts website (www.contracts.vic.gov.au) within the same period.

1.37.3 A breakdown of the number of temporary and ongoing jobs that will be created as a result of major water projects including specific details relating to the 2,300 jobs identified in the Minister's media release Water projects secure 2300 jobs and our water supply on 5 May 2009.

Victoria's water projects have generated significant employment opportunities across the State. In 2009-10, more than 2,300 jobs will be secured to help deliver key infrastructure to secure Victoria's water supply.

Over two years of construction, the Desalination Project is expected to create 1700 direct jobs and as many as 3050 indirect jobs. Once the plant is operational at the end of 2011, around 50 direct jobs and 100 indirect jobs will be created.

The Northern Victoria Irrigation Renewal Project (NVIRP) will create up to 680 new jobs during Stage 1 construction works. This was confirmed by an independent report undertaken by Deloitte, which also found that the works would inject around $381 million into the local economy. NVIRP has recently awarded contracts to the value of $10 million to regional construction companies undertaking the second year of irrigation modernisation works. These works are estimated to create more than 200 additional jobs in the region.

An independent Deloitte report into the Sugarloaf Pipeline estimated that the project would inject $229 million into the region between 2008 and 2020, and would create more than 1,000 extra jobs. In line with these projections, around 1,200 people are currently working on the Sugarloaf Pipeline project.

Additional regional employment has been generated by other projects, including the Goldfields Superpipe (now completed), the Wimmera-Mallee Pipeline, the reconnection of the Tarago reservoir and the Gippsland Water Factory.

1.37.4 Details of the cost of piping water down the water down the north-south pipeline.

The Sugarloaf Pipeline is on schedule to be delivered in 2010, two months ahead of schedule. As this project is not yet complete, the final project cost cannot be confirmed. Furthermore, as the operating arrangements are still to be finalised, any calculation of a unit cost depends on forecasting water savings and costs into the future. Therefore, the cost of piping water down this pipeline cannot be provided at this time.

However, [the Minister] note[s] that Melbourne Water included expected costs associated with the Sugarloaf Pipeline in its November 2008 submission to the Essential Services Commission (ESC) regarding water prices from 2009-10 to 2012-13. These costs were slightly amended in the ESC's draft determination released on 21 April 2009. Both of these documents are available on the ESC's website (http://www.esc.vic.gov.au/public/).

1.37.5 Please provide a list and description of federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

Three grants are expected from the Commonwealth Government in 2009-10 in relation to the Water portfolio. They relate to the Living Murray Initiative, the Barwon-Shell Water Recycling Project and funding for the Unregulated Rivers initiative. [The table below] provides an overview of these programs, including their accountability mechanisms.

Commonwealth Grants in 2009-10			
Program	**2009-10 Budget**	**Description**	**Accountability**
Living Murray Initiative	$21.3 million	• To recover an annual average of up to 500 GL of water for the environment. • *Lake Mokoan* – decommissioning of the lake as a storage and returning it to wetland to increase unregulated river flows • *Shepparton Area Irrigation Modernisation* – modernising the open channel delivery infrastructure in order to generate water savings for the environment	• Investment Plans (funding deeds) are in place between the Victorian Government and investors. • A similar plan is in place between the Victorian Government and Goulburn Murray Water, which requires monthly milestone reports and invoices prior to payment of funds. • A Project Control Board/Review Group approve changes such as scope of work updates.
Barwon – Shell Recycling Project	$5.0 million	• Construction of a water reclamation plant to substitute potable water with recycled water from trade waste and effluent for use at the Shell refinery	• A project schedule exists between Commonwealth and Victoria that sets out milestones for scheduled payments. • DSE also has a Project Delivery Agreement with Barwon Water that contains Milestones, payment schedules, and reporting. A project reference group comprising DSE, DTF and Commonwealth representatives oversights project governance.
Unregulated Rivers	$3.5 million	• To enhance the environmental water reserve in priority stressed unregulated and streams while maintaining the reliability of supply of water users	• Every six months DSE provides the National Water Initiative with a milestone report, including financial information

Department of Treasury and Finance

1.38 Finance, Work Cover and the Transport Accident Commission portfolio

1.38.1 Does the number of workplace inspectors per head of employee meet the number specified by the International Labour Organisation's (ILO) benchmark?

I am advised that the ratio of inspectors to Victorian workers covered by the WorkSafe scheme exceeds the ILO benchmark

1.38.2 In regards to WorkCover premiums, the Minister mentioned a 1.387 buffer. Can you provide the breakeven figure for WorkCover premiums?

The break-even premium rate for WorkSafe is 1.258 %, as at December 2008.

1.38.3 Can you provide information on why the senior ongoing positions, such as Chief Operating Officer and Chief Information Officer for CenITex are contractors?

All decisions regarding the number and type of positions reporting to the *CenITex* Chief Executive Officer are made by the *CenITex* Board in line with business and operational need. *(CenITex Statement of Corporate Intent – Section 7.3).*

The *CenITex* Chief Information Officer position was vacated in March 2009 and the team that reported to this role was allocated to the CenITex Efficient Technology Services (ETS) program and Operations areas. This role is not expected to remain within the *CenITex* structure.

The role of the Chief Operating Officer, introduced when CenITex was established in July 2008, has now evolved to focus on program director as the ETS program director for CenITex. Given the cross-functional impacts of the ETS program on CenITex operations, it was imperative to have an experienced IT transformation specialist managing both and to have continuity from the start-up phase for CenITex. The hiring of contractors is to ensure that relevant specialist expertise is available and is competitive with market rates and conditions. At the end of the transformation program, all CenITex senior roles will be reviewed.

1.38.4 In regards to State Purchase Contracts, can you provide information as to what extent these are used or available to public non-financial corporations, other agencies outside the departmental structure and non-government agencies implementing government programs?

Public non-financial corporations and other agencies outside the departmental structure, as well as non-government organisations, may purchase from a State Purchase Contract (SPC) where it meets their business requirements for goods and services.

The degree of uptake by these organisations depends on the SPC concerned, for example, 50 per cent of spend via the Fuel SPC (with a total annual spend of approximately $60 million) is by non-government organisations and other government entities that are not actually bound by the Victorian Government Purchasing Board policy.

1.38.5 In regards to ancillary service savings, can you please provide information on the savings made as a result of this initiative?

It is anticipated that the shared service provider will be operating in the first quarter of 2009-10 with projected net savings of $10.7 million over four years to 30 June 2012. Industrial processes are currently underway to allow for the transition of staff to a shared service provider. The savings quoted are projected savings and will not be realised until the shared service provider is operational.

1.38.6 Please provide a list and description of federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

There are no federal grants to the relevant departments and agencies in relation to the … Finance, WorkCover and the Transport Accident Commission portfolio.

1.39 Treasury portfolio

1.39.1 List and description of federal grants and funds received by the Department of Treasury and Finance and accountability measures for dealing with those grants.

The federal grants to be received by the Department of Treasury and Finance are as follows:

- *Commonwealth New Home Grant* – As outlined in the Commonwealth's 2009-10 Budget, the Department estimates to receive $198.9 million in 2009-10. On 14 October 2008, the Commonwealth announced the First Home Owners Boost, which provides one-off financial assistance to eligible first home buyers of $7,000 for an established home and $14,000 for a new home or a newly constructed home. While administered by the states and territories, it is fully funded by the Commonwealth.

Included in the total of $198.9 million is a six months extension to the Boost, which was not incorporated in the State's Budget numbers, as they were published prior to the Commonwealth Budget announcement.

There is a national partnership agreement between the Commonwealth and the States and Territories.

- *Standard Business Reporting – National Partnership Payment* – The Department estimates to receive $0.8 million in 2009-10. Standard Business Reporting is a multi-agency Commonwealth initiative which will simplify business to government reporting by:
  - making government forms easier to understand;
  - using accounting and/or record keeping software to pre-fill government forms; and
  - introducing a single secure way to interact on-line with participating government agencies.

There is a national partnership agreement between the Commonwealth and the States and Territories.

Additional Information relating to 2008-09 financial year.

- *Seamless National Economy – National Partnership Payment* – The Department estimates to receive $24.8 million in 2008-09 only. Funding is provided through the Council of Australian Governments' National Partnership Agreement for implementation of the Seamless National Economy National Partnership. Under this National Partnership Agreement, the Commonwealth has committed to provide funding over two years to Victoria to facilitate the implementation of reform priorities in the areas of deregulation, competition and regulatory reform.

There is a national partnership agreement between the Commonwealth and the States and Territories.

1.39.2 Clarification of investment return achieved by the Victorian Funds Management Corporation for the quarter ended 31 March 2009.

Both the performance figures quoted by the Treasurer and by Mr Rich-Phillips during the Treasury portfolio Budget Estimates hearing are cited on the VFMC website.

The figure of −4.27 quoted by the Treasurer relates to the aggregate of the Department's clients managed under the Centralised Investment Model and is the correct figure to use when referring to the performance of the State's Investments.

The figure of −4.41 quoted by Mr Rich Phillips is the figure for all clients managed by VFMC, which includes clients other than the State mandated clients, such as Melbourne University, Swinburne University of Technology and the Residential and Tenancy Bond Authority.

1.39.3 Estimated losses across the General Government Sector from investments made by the Victorian Funds Management Corporation factored into the revised budget for 2008-09.[615]

For the General Government Sector, the estimated losses from investments made by the VFMC directly impact the investment balances of superannuation assets.

In developing the budget estimates, a base valuation of assets as at 31 March 2009 has been used. Therefore all realised and unrealised losses for the financial year to 31 March 2009 have been factored into the superannuation asset valuation. Forward projections of assets from 1 April 2009 assumed these assets will grow at the assumed long term rates of return (generally 8 per cent per annum).

As such, the estimated investment losses for the financial year to 31 March 2009 which have been factored in the 2009-10 Budget papers are $2.9 billion.

1.39.4 Details relating to the composition of the state's biological assets.

The majority of the state's biological assets comprise commercial forests. This item also includes any living animal, plant or agricultural produce.

Commercial native forests valuations are prepared in accordance with the provisions of the relevant accounting standard (AASB141 – Agriculture) and as such are measured on the basis of the net present value of the future cash flows (discounted at a current market determined rate, which reflects the risks associated with forests). The future cash flows expected to be generated by the sale of timber, less any point of sale costs are used in determining this value.

Sustainable yields limit the amount of timber which can actually be harvested by the timber licensees. The maximum amount of timber available for harvesting is expected to remain constant over the forward estimate period (i.e. approximately 500,000 cubic metres per annum).

615 Department of Treasury and Finance, Budget Paper No.4, 2009-10 Statement of Finances, May 2009, Appendix C - Revised 2008-09 Budget Outcome, pp.320–1

Movements in the value of biological assets over the forward estimate period reflects the point in time of the timber release plans, and change in the costs or revenues of VicForests which are the basis for the calculation of the timber value.

Breeding livestock is measured at fair value less estimated point of sale costs. The fair value of breeding livestock is determined as the amount that could be expected to be received from the disposal of the livestock.

1.39.5 Explanation for the anticipated reduction in revenue derived from landfill levies given trends in waste generation per capita in the long term.

Reduction in revenue derived from landfill levies is due to a projected decrease in levels of waste being sent to landfill as a result of Government Policies. The modelling assumes the following reduction:

Waste Stream Annual Tonnage adjustment	2007/2008	2008/2009	2009/2010
Municipal tonnes	Base Line Year	−3.0%	−4.0%
Industrial tonnes	Base Line Year	−2.0%	−2.0%

The Towards Zero Waste Strategy was launched in 2005, and sets four state-wide targets for waste reduction, resource recovery and littering, and specific targets and actions for Victoria's municipal and business sectors to deliver more sustainable use of resources by 2014. The Metropolitan Waste and Resource Recovery Strategic Plan, released in March 2009, builds upon the Towards Zero Waste Strategy and sets further key targets for metropolitan Melbourne.

These policies commit to the diversion of waste from landfills, including through increased recovery and recycling across Victoria. The targets (for reduction by weight) state that by 2014, 65 per cent of municipal solid waste and 80 per cent of commercial and industrial waste will be recovered for re-use or recycling. The 2006-07 Towards Zero Waste Strategy progress report noted that 41per cent of municipal solid waste (43 per cent in metropolitan Melbourne) and 68 per cent of commercial and industrial waste was already being recovered and thus diverted from landfill.

The Government's continued commitment to diverting waste sent to landfill has been factored into revenue estimates from the landfill levy. As a result, total revenue expected in 2009-10 is 2.5 per cent lower than the 2008-09 year.

The Government will continue to encourage diversion of waste from landfill, through such initiatives as the $10 million Victorian Advanced Resource Recovery Initiative, ResourceSmart and the Waste Wise program, as well as offering grants for a number of projects and initiatives across Victoria, including through the Sustainability Fund and the HazWaste Fund.

1.39.6 Policy for raising the landfill levy.

This question has been referred to the Minister for Environment and Climate Change to respond.

Department of Transport

1.40 Public Transport portfolio

1.40.1 Details of variations to the Myki contract, including changes in scope and payment variations.

There have been three amending deed variations to the myki contract with scope changes bundled into each. There have also been 15 variations to the contract.

Some of the changes to date include:

- the purchase of more devices such as card readers and ticket gates to cater for the growth in public transport services, including new buses, trams and train stations, since the original contract was signed
- improvements to devices, including changes to the colour of screens, to make them easier for customers to read

In May 2008, up to $353 million was approved to cover the cost of variations and scope changes as well as to keep the current system running until myki is introduced.

All variation and scope changes remain within this budget.

1.40.2 A copy of the Victorian Transport Plan

The Victorian Transport Plan is available online at:
http://www4.transport.vic.gov.au/vtp/downloads/index.html

1.40.3 Additional information regarding public transport compliance with the Disability Discrimination Act 1992 and performance against measures used by the Department to assess compliance with the Act.

Under Commonwealth legislation, *Disability Standards for Accessible Public Transport 2002* (the Transport Standards) and accompanying guidelines identify the requirements to be met by all public transport operators and providers to make public transport more accessible for people with disabilities.

The Transport Standards impose timelines for progressive implementation throughout the public transport system. Full compliance is required by 2032 for trains and trams and 2022 for all other modes including buses, taxis and infrastructure.

The Department of Transport monitors and reports on the implementation of the Disability Standards for Accessible Public Transport. Progress is reported online at:
www.transport.vic.gov.au.

As at the end of May 2009, public transport and infrastructure compliance with the Transport Standards was as follows:

	Current Compliance	Required Compliance	
Mode		**25% by 2007**	**55% by 2012**
Train (metro)	98.5%	Met	Met
Train (V/Line)	86%	Met	Met
Tram	23.6%	Nearly met	Requires new tram purchase
Bus (metro)	65%	Met	Met
Bus (regional)	40%	Met	Programmed to meet
Infrastructure		**25% by 2007**	**55% by 2012**
Stations (metro)	35%	Met	Programmed to meet
Stations (regional)	28%	Met	Programmed to meet
Tram stops	16%	Behind schedule	Scheduled to progress
Bus Stops	35%	Met	Programmed to meet

A program of works is being delivered to improve accessibility and includes:

- provision of tactile tiles and improved access at railway stations – 37 per cent of stations have tactile tiles installed (78 of 211 metropolitan stations and 29 of 82 regional stations)
- upgrade of existing access ramps at railway stations – 37 per cent of station ramps are now DDA compliant (85 of 211 metropolitan stations and 23 of 82 regional stations)
- roll out of newly designed compliant rail level crossings
- upgrade of V/Line N-set carriages to remove the need for passengers using larger wheelchairs to travel in the conductor's compartment – three carriages have been upgraded during cyclic maintenance and two more are planned
- introduction of DDA compliant features on non low-floor trams such as colour contrast handrails and audible announcements – all A,B and Z type trams have been upgraded
- as at the end of May 2009, 290 accessible platform tram stops have been built across the network, with more planned
- installation of tactile tiles and improvements to paving at bus stops – 8,330 (35 per cent) of 23,800 bus stops now have tactile tiles installed
- purchase of 270 low floor buses over the next three years
- compliant signage and public transport information (already introduced across metropolitan Melbourne and roll-out has commenced in regional Victoria)

Some of the 30 parts of the Transport Standards relevant to tram stop compliance such as information and signage, circulation and street furniture are already at a higher level than required by the Standards.

Improving access to trams for people using wheelchairs and mobility aids is more challenging due to the costs of new, compliant trains and the difficulties in providing on-road accessible infrastructure solutions. Construction of platform stops to allow level access to low-floor trams is the preferred solution as they provide faster and safer loading for all passengers and improved travel times for tram operations. However platform stops are not feasible in some locations and other accessible infrastructure options are also being investigated.

Programs are currently being developed to fulfil tram compliance requirements.

1.40.4 Explanations for delayed, substituted and cancelled V/Line rail services during 2008/09.

The Department of Transport is required to report on regional public transport performance in the State Budget Papers and the Department's Annual Report.

For 2008-09, the following explanatory notes were provided in the 2009-10 *Budget Paper No. 3* (page 239), where performance targets are not expected to be met:

- the impact of congestion on the metropolitan rail network
- fleet availability
- accidents and incidents
- signalling

V/Line also provides detailed performance results on a monthly basis. These reports provide the reasons for cancellations and delays and are available online at:
www.vline.com.au/media/performance

1.40.5 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deals with those grants.

The Victorian Government continues to work in partnership with the Commonwealth Government to improve transport infrastructure in Victoria and to create and secure jobs in the current global economic climate.

Under the Building Australia Fund, the Commonwealth Government announced in its 2009-10 Budget a contribution of $3.225 billion for the Regional Rail Link project. The project will build up to 50 kilometres of stand-alone rail tracks from West Werribee to Melbourne's Southern Cross Station, and will separate regional and suburban trains across the west. This is the first major investment for Victoria under the Building Australia Fund.

The Commonwealth Government has also committed $40 million toward the Melbourne Metro 1 – East West Rail Tunnel project, to commence pre-construction planning, design and engineering works. The two-stage project is a 17 kilometre two track tunnel, with the first stage between South Kensington and the Domain, delivering significant benefits to the wider Melbourne metropolitan rail network.

In addition, through the Nation Building Program (formerly AusLink), the Commonwealth is providing $80 million towards the $140 million Springvale Road Grade Separation Project. The rail line at Nunawading will be lowered and a new road crossing will be built over it, to allow the smooth flow of traffic and trains.

In its Nation Building and Jobs Package the Commonwealth Government has announced a range of economic stimulus measures. This included funding for road and rail projects. The Package will provide funding to Victoria of $30.3 million for the installation of boom gates for level crossings and other safety measures allowing an additional 59 crossings to he upgraded.

The Commonwealth Government is also continuing to fund projects in partnership with the State under the AusLink 1 program, including the Geelong to Mildura rail upgrade and the Wodonga Rail Bypass.

The Victorian Government is accountable for these projects to the Commonwealth through a range of legislative instruments and bilateral agreements undertaken by the Commonwealth and States and Territories through National Partnership Agreements.

These accountability measures include:

- monthly project reporting, including key milestone and project completion dates
- monthly project financial reporting
- reporting and assessment requirements to manage and address concerns with project slippage, cost overruns and project delivery
- annual audit
- post-project completion evaluation.

More specifically, the National Partnership Agreements place emphasis on the timely delivery of projects with an outcomes-based focus to support economic growth and jobs. The National Partnership Agreements also outline:

- the establishment of an Oversight Group within the Department of the Prime Minister and Cabinet chaired by a 'Coordinator-General' comprising 'National Coordinators' for each State and Territory
- reporting and assessment requirements to manage and address concerns with project slippage, cost overruns and project delivery
- the development and coordination of spending and output benchmarks through the Heads of Treasuries.

The accountability mechanisms for Infrastructure Australia projects funded from the Building Australia Fund are yet to be determined.

1.41 Roads and Ports portfolio

1.41.1 Budget Paper No. 3 page 285. Can the Minister provide a breakdown of what is involved in the:

- **facilities improvement program;**
- **grants for business support;**
- **Multi-stage Tourism Marketing Campaign; and**
- **small business education aspects of the channel deepening support package.**

The Port Philip Bay Business Support Package was announced in November 2008 and reported in the *2008-09 Budget Update*. It consists of a range of initiatives to assist businesses to develop appropriate strategies to adapt to changes as a result of the Channel Deepening Project, as well as additional initiatives designed to improve the accessibility, amenity, environmental and recreational values of Port Phillip Bay and its beaches.

The *Facilities Improvement Program*, also known as the *Boating Infrastructure Fund*, is designed to make boating safer and more accessible for all Victorians. This program is administered by Marine Safety Victoria.

This program allocates funds to individual grant-based projects initiated by local government, government agencies, waterway managers (authorised under the Marine Act 1988) or committees of management, for works to be undertaken on either Port Phillip Bay or Westernport Bay.

Examples of projects that may be eligible for funding include the development and upgrading of boat ramps, jetties, floating pontoons, trailer parking, lighting, navigation aids and signage, wash down bays, fish cleaning tables, webcams and weather stations, dredging and improvements to selected infrastructure.

The remaining three programs, *Grants for Business Support; Multi-stage Tourism Marketing Campaign;* and *Small business education aspects of the Channel Deepening Support Package* are managed by the Department of Innovation, Industry and Regional Development [see below].

1.41.2 Question redirected to DIIRD – *Budget Paper No. 3* page 285. Can the Minister provide a breakdown of what is involved in the:

- **Grants for business support;**
- **Small business education aspects of the channel deepening support package.**
- **Multi-page Tourism Marketing Campaign.**

Grants for business support:

The Port Phillip Bay Business Taskforce identified that marketing was the greatest need for businesses directly impacted by channel deepening. Funding was allocated for an individual marketing package valued at $6,500 per business. 23 businesses are receiving this support.

Businesses have also been informed of Small Business Victoria programs including the ongoing Small Business Workshops and Seminars Program and the Skills for Growth program.

The Small Business Education aspects of the channel deepening support package comprise the following elements:

- Business Mentoring (up to 4 free sessions)
- Workshops and Seminars (access to existing SBV program or special topics identified as necessary by affected businesses)

There are 26 small businesses participating in this part of the business support package. All participating businesses have a business mentor to work through issues in relation to their business. Workshop and Seminar topics were chosen by the participating businesses and include:

- Marketing
- Finance
- Customer Service
- Website Optimisation
- Organisational Skills

These customised workshops and seminars will be delivered until September 2009.

Multi-page Tourism Marketing Campaign:

The multi-faceted marketing campaign has three components. The first component concentrates on providing marketing support to those businesses operating on the water, in the southern part of Port Phillip Bay, that have been perceived to be directly affected by dredging. This includes advertising in local visitor guides and maps and local and Victorian newspapers, online marketing, mentoring, and memberships of tourism industry associations.

The second phase of the program is designed to increase business to those that may have been indirectly impacted by the channel deepening project. Funds will be used to develop marketing tools that will assist in destination promotion. This includes developing online banner advertising, photographic and video assets, and implementing existing brand campaigns. Funds will also be provided to support marketing of local signature events to increase visitation and yield.

The third phase of the package is to undertake an extensive media relations campaign to raise the profile of the area and counteract any negative perceptions of the Bay. The campaign includes hosting major television shows such as the Today Show, Coxy's Big Break and Postcards.

The marketing campaign was developed in consultation with Small Business Victoria and the Port Phillip Bay Tourism Task Force. The Task Force has representation from Tourism Alliance Victoria, Mornington Peninsula Tourism, Geelong Otway Tourism, The City of Port Phillip, the dive industry and other affected operators.

1.41.3 A list of specific road resurfacing projects that VicRoads intends to undertake in 2009-10.

There are currently over 1700 road resurfacing projects identified. These projects are undertaken based on the assessed priority and are subject to change as they are developed over 18 months prior to the commencement of resurfacing works. During this period the condition of the network may change and consequently project priorities change.

1.41.4 Correction for possible erratum identified in the 2009-10 State Budget.

The typographical errors in the Department of Transport's output statement, as published in the *2009-10 Service Delivery*, Budget Paper No. 3 (BP3), only relates to footnote references to some of the output performance measures. The corrected references are provided below. The department has also recently been advised by the Department of Treasury and Finance who have acknowledged these errors but however advised that the corrections will not be reflected in the online version of BP3.

In relation to the Roads and Ports Portfolio

Road Asset Management Output, BP3 page 245

Corrections:

- 2009-10 Target for *Pavement resurfaced: metropolitan* should not have reference to footnote (p).
- 2008-09 Expected outcome for *Pavement resurfaced: regional* should refer to footnote (s) and not footnote (r).
- 2009-10 Target and 2008-09 Expected Outcome for *Road network maintained: metropolitan* should refer to footnote (t) and not footnote (s).

The following table reflects the corrected footnote references:

Major Outputs/Deliverables *Performance Measures*	**Unit of Measure**	**2009-10 Target**	**2008-09 Expected Outcome**	**2008-09 Target**	**2007-08 Actual**
Road Asset Management					
Quantity					
Pavement resurfaced:					
• metropolitan	m^2 ('000)	1,934	1,968[(q)]	1,583	2,204
• regional	m^2 ('000)	9,223[(r)]	10,151[(s)]	10,959	10,713
Road network maintained:					
• metropolitan	lane-km	11,391[(t)]	11,222[(t)]	11,802	11,419

In relation to the Public Transport Portfolio

Rural and Regional Public Transport Services Output, BP3 page 237

Correction:

- 2008-09 Expected Outcome for V/Line train and coach services should refer to footnote (d).

The following table reflects the corrected footnote reference:

Major Outputs/Deliverables *Performance Measures*	**Unit of Measure**	**2009-10 Target**	**2008-09 Expected Outcome**	**2008-09 Target**	**2007-08 Actual**
Rural and Regional Public Transport Services					
Quantity					
Passengers carried:					
• V/Line train and coach services	number (million)	14.4	13.1[(d)]	12.5	11.6

Specialist Transport Services Output, BP3 page 238

Correction:

- the *Disability Discrimination Act (DDA) compliance for public transport infrastructure: upgrades to various access features at metropolitan stations* measure should refer to footnote (m) and not footnote (k).

The following table reflects the corrected footnote reference:

Major Outputs/Deliverables *Performance Measures*	**Unit of Measure**	**2009-10 Target**	**2008-09 Expected Outcome**	**2008-09 Target**	**2007-08 Actual**
Specialist Transport Services					
Quantity					
Disability Discrimination Act (DDA) compliance for public transport infrastructure:					
• upgrades to various access features at metropolitan stations[(m)]	per cent	6	nm	nm	nm

1.41.5 Reason why $22 million in road maintenance costs are not included in an output group.

The output initiatives listed in Table A.19 on page 354 of 2009-10 *Budget Paper No. 3* include an entry for $22.6 million in Maintenance Funding for Roads.

1.41.6 Please provide a list and description of Federal grants received by departments and agencies in relation to your portfolio, and detail the accountability measures employed to deal with those grants.

The Victorian Government continues to work in partnership with the Commonwealth Government to improve transport infrastructure in Victoria and to create and secure jobs in the current global economic climate.

In relation to the Roads and Ports portfolio, the 2009-10 Federal Budget provides funding for the following projects under the Nation Building Program (formerly AusLink 2):

- $74 million for the Western Ring Road Upgrade
- $40 million for West Gate Bridge Strengthening project
- $17.5 million for Princes Highway East Traralgon to Sale
- $10.5 million for Geelong Ring Road Stage 4A
- $34 million for Western Highway Anthony's Cutting
- $7 million for Western Highway Ballarat to Stawell
- $5.4 million for Western Highway Stawell to South Australian Border
- $37 million for Nagambie Bypass
- $5.5 million for the Kings Road Interchange
- $5 million for rail upgrades at Geelong Port and on the Melbourne–Adelaide rail line
- $8 million for Altona/Laverton Precinct and the Dandenong Intermodal Terminal
- $1 million for Somerton Intermodal Terminal
- *$5.2 million* for Wimmera Intermodal Terminal

- $8 million for the duplication of the Princes Hwy from Waurn Ponds to Winchelsea[616]

In addition, through the Nation Building Program, the Commonwealth is providing $80 million towards the $140 million Springvale Road Grade Separation Project. The rail line at Nunawading will be lowered and a new road crossing will be built over it, to allow the smooth flow of traffic and trains.

The Commonwealth is also providing $7.5 million to upgrade Colac–Lavers Hill Road, a key route for the timber and agricultural industries in South Western Victoria.

In its *Nation Building and Jobs Plan* the Commonwealth Government has announced a range of economic stimulus measures. This included funding for road and rail projects. The Package will provide funding to Victoria of $11 million in 2008-09 for regional road maintenance and an additional $34.2 million in 2009-10 to treat black spots across the State.

The Victorian Government is accountable for these projects to the Commonwealth through a range of legislative instruments and bilateral agreements undertaken by the Commonwealth and States and Territories through National Partnership Agreements.

These accountability measures include:

- monthly project reporting, including key milestone and project completion dates
- monthly project financial reporting
- reporting and assessment requirements to manage and address concerns with project slippage, cost overruns and project delivery
- annual audit
- post-project completion evaluation

More specifically, the National Partnership Agreements place emphasis on the timely delivery of projects with an outcomes-based focus to support economic growth and jobs.

The National Partnership Agreement for project funding under the economic stimulus packages, announced in December 2008 and February 2009 also outlines:

- the establishment of an Oversight Croup within the Department of the Prime Minister and Cabinet chaired by a ‘Coordinator-General’ comprising ‘National Coordinators’ for each State and Territory
- reporting and assessment requirements to manage and address concerns with project slippage, cost overruns and project delivery
- the development and coordination of spending and output benchmarks through the Heads of Treasuries.

616 The current agreement between the State and the Commonwealth under the Nation Building Program 2009/10 and 2013/14 (formerly AusLink 2) includes the duplication of the Princes Highway West between Waurn Ponds and Winchelsea. The Commonwealth Government has agreed to consider ending beyond 2013/14 to continue the duplication of the Princes Highway West between Winchelsea and Colac.

APPENDIX 5: TIMELINESS AND QUALITY OF RESPONSES FROM DEPARTMENTS AND MINISTERS

1.1 Introduction

Over the course of budget estimates, the Committee has asked both Departments and ministers to provide a range of information to facilitate the budget estimate hearings and this report. More specifically over the course of the last seven months, the Committee has sought the following information:

- a completed response *2009-10 Budget Estimates* questionnaire; and
- answers to questions taken on notice during the public hearing.

This chapter examines the quality and timeliness of responses received during the budget estimates process.

The Committee, in undertaking budget estimates as well as producing this report has strict timeframes to meet for reporting to Parliament. Therefore, it would be respectful to the Parliament, its members and processes as well as the public that both Departments and ministers, where possible adhere with the Committee's timeframes. Adherence to the Committee's timeframes gives the Committee time to properly consider the information available and time to analyse and prepare for Budget Estimates hearings and this report.

Quality responses in both Budget Estimates questionnaires and questions taken on notice assist the Committee and its staff to understand issues and analyse information presented by Departments and ministers. The Committee considers that a quality response from a Department or minister is where a question in either the questionnaire or questions taken on notice has been fully answered and detailed information asked for has been provided.

Where this has not occurred, the Committee has sought additional information from Departments and ministers regarding answers provided to both the Budget Estimates questionnaire and the questions taken on notice.

1.2 Budget Estimates questionnaire

To facilitate the budget estimates process, the Committee asks all Departments, including Parliamentary Departments to provide information regarding their budget estimates via a response to a questionnaire. The responses to the questionnaires are provided to Committee members prior to Budget Estimates hearings and assists members in understanding major budget initiatives for each portfolio. The questionnaire also assists with the analysis and content of this report.

This year, the Committee sent out its annual Budget Estimates questionnaire to all Departments and ministers on 26 March 2009 and asked that it be completed and returned to the Committee Secretariat by 28 April 2009, one week before budget night and giving each Department one month to finalise questionnaires.

In past years, the responses have been mainly timeline, and provided to the Committee in an advanced draft format, as Departments, the Treasurer and ministers understand that the Committee embargoes the information provided and that the advanced financial information provided would be confirmed following the release of the budget.

This year, no Department submitted its questionnaire to the Committee before the budget was released. The Committee understands that while there is a need for confidentiality prior to the release of the budget, this should be balanced against the Committee Secretariat's need for information to prepare for the budget estimate hearings and the observed in-confidence protocol of advanced draft financial information provided to the Committee Secretariat.

Three Departments submitted their questionnaires to the Committee on the day of their scheduled hearings. One Department provided its questionnaire response a full week after the budget was brought down..

The Committee is disappointed with the lack of timeliness shown by Departments in submitting questionnaires. Proper regard should be given to Parliamentary processes and the need for timely scrutiny in the public interest. Late submissions do not provide Committee members with adequate time to consider the information presented by Departments thereby subverting Parliamentary and public interest as well as impacting on the Committee's secretariat, responsible for collating and distributing completed questionnaires. The Committee considers that Departments in future should make efforts in improving their internal processes adhere to the deadlines provided to the Committee.

1.3 Timeliness of clarification questions

For the *2009-10 Budget Estimates* questionnaire, the Committee sent clarification questions to Departments on 29 July 2009. The Committee asked that Departments respond to these questions by 12 August 2009, giving each Department two weeks to respond. Only the Department of Transport responded to the timeframe set by the Committee. While a number of Departments were a few days late in providing additional information, the Committee noted that four Departments were between 14 and 16 business days late in sending their responses to clarification questions.

The Committee is appreciative that most Departments provided adequate, and in some cases, detailed responses to both the budgets Estimates questionnaire and clarification questions. While in most instances responses were not received in time, the Committee is appreciative that the responses included the information as requested.

The Committee was however disappointed that nearly all Departments except for the Department of Transport provided the Committee with both the Budget Estimates questionnaire and the clarification questions late.

The Committee is of the view that all questions put to Departments in the Budget Estimates questionnaire were reasonable and appropriate. The Committee thanks most Departments for providing the Committee with the relevant information as requested.

This Committee wishes to remind Departments as well as others more generally that it has an oversight role under the *Parliamentary Committees Act 2003* to inquire into, consider and report to the Parliament on the annual estimates and Budget Papers presented to the Parliament. More broadly, the Committee has a role in undertaking on behalf of Parliament inquries into matters of accountability of Departments and financial and performance of public bodies. It is of course not appropriate for Departments to refuse to provide the Committee with information as requested.

The Committee stresses the importance of ministers and Secretaries ensuring that their Departments and agencies address questions put to them by the Committee fully and provide information requested by the Committee. The Committee will in due course meet with the Secretaries of the Department of Premier and Cabinet and the Department of Treasury and

Finance to discuss these matters, including the development of suitable protocols for timely responses to Committee questionnaires.

1.4 Questions on notice by ministers at Budget Estimates hearings

Questions are taken on notice at public hearings when a witness is not able to provide an immediate answer to a question. At the Budget Estimates hearings, questions were taken on notice by ministers.

A letter was sent to each minister following their hearing outlining the questions that he or she had taken on notice during the Budget Estimates hearing. Each minister was given 30 days from when the letter was issued to provide the Committee with a response.

The Committee wishes to thank a number of ministers and the Presiding Officers, whose responses were received within a reasonable timeframe. The Committee acknowledges the effort in answering questions on notice.

The Committee considers that 30 days provides ministers with sufficient time to answer questions on notice. The Committee was therefore disappointed with a number of ministers who did not provide answers in a timely manner, as such delays put pressure on the Committee's reporting timeframes to Parliament.

To ensure the Committee had the information requested, a review was undertaken of the responses provided by ministers to questions on notice. On the whole, the Committee was pleased with the responses received and made only two follow-up queries of a minor nature.

MINORITY REPORT

2009-10 Budget Estimates Part Two

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 *2009-10 Budget Estimates Part Two* Report, as currently drafted.

It is our collective conclusion that Government Ministers, year after year, clearly continue to show contempt for the Committee by failing to comply with the 30 day time requirement for replies to questions taken on notice during Committee Hearings.

We also express concern that this lack of accountability from Government Ministers was buried in Appendix Five, rather than be part of the actual Report.

Further, it is our collective conclusion that Government Departments and/or Ministers, have again year to year, failed to meet timely submission of replies to Committee Budget Estimates Questionnaires prior to the annual Budget Hearings thereby denying Committee Members proper analytical and consideration time.

As a result, the undersigned Coalition Members have been forced into submitting this minority report.

Stated below, is a summary of all Ministers and the dates on which they submitted replies in response to Questions on Notice taken during the 2009-10 Budget Estimates Hearings.

Minister	Portfolio	Date of hearing - 2009	Questions on notice deadline	Questions on notice response received	Number of business days late
Hon. Robert Smith MLC Hon. Jenny Lindell MP	Parliamentary Departments	8 May	15 June	12 June	0
Mr Gavin Jennings MLC	Environment and Climate Change	8 May	15 June	15 June	0
	Innovation	8 May	15 June	19 June	4
Hon. John Brumby MP	Premier	11 May	15 June	1 July	12
	Multicultural Affairs	11 May	15 June	1 July	12
	Veterans Affairs	11 May	15 June	26 June	9
Mr John Lenders MLC	Treasury	12 May	15 June	15 June	0
	Financial Services	12 May	15 June	22 June	5
	Information and Communication Technology	12 May	15 June	22 June	5
Mr Daniel Andrews MP	Health	12 May	22 June	30 June	6
Hon. Bronwyn Pike MP	Education	13 May	22 June	7 July	10
Hon. Lynne Kosky MP	Public Transport	13 May	22 June	30 June	6
	Arts	13 May	22 June	30 June	6
Hon. Bob Cameron MP	Police and Emergency Services	14 May	22 June	24 June	2
	Corrections	14 May	22 June	24 June	2
Mr Joe Helper MP	Agriculture	14 May	22 June	1 July	7
	Small Business	14 May	22 June	22 June	0
Hon. Rob Hulls MP	Attorney-General	14 May	22 June	26 June	4
	Racing	14 May	22 June	26 June	4
Hon. Tim Holding MP	Finance, Workcover, TAC	15 May	22 June	24 August	45
	Water	15 May	22 June	24 August	45
	Tourism and Major Events	15 May	22 June	1 July	7
Mr Tim Pallas MP	Major Projects	15 May	22 June	22 June	0
	Roads and Ports	15 May	22 June	22 June	0
Mr Richard Wynne MP	Aboriginal Affairs	18 May	22 June	18 July	19
	Local Government	18 May	22 June	6 July	10
Ms Lisa Neville MP	Community Services	19 May	22 June	28 July	26
	Mental Health	19 May	22 June	28 July	26
	Senior Victorians	19 May	22 June	28 July	26
Hon. Peter Batchelor MP	Community Development	19 May	22 June	25 June	3
	Energy and Resources	19 May	22 June	26 June	4
Hon. Justin Madden MLC	Planning	20 May	22 June	31 July	29
Mr James Merlino MP	Sport, Recreation and Youth Affairs	20 May	22 June	16 July	18
Ms Jacinta Allan MP	Regional and Rural Development	20 May	22 June	26 June	4
	Skills and Workforce Participation	20 May	22 June	26 June	4
Ms Maxine Morand MP	Children and Early Childhood Development	21 May	22 June	2 July	8
	Women's Affiars	21 May	22 June	2 July	8
Mr Martin Pakula MLC	Industry and Trade	21 May	22 June	24 June	2
	Industrial Relations	21 May	22 June	24 June	2
Mr Tony Robinson MP	Gaming	21 May	22 June	23 June	1
	Consumer Affairs	21 May	22 June	23 June	1

In addition, stated below, is a summary table of all Government Departments and the dates on which they submitted replies to Committee Budget Estimates Questionnaires, given that these were expected prior to their respective 2009-10 Budget Estimates Hearings.

Department	Questionnaire received - 2009	First hearing	Time for Committee consideration (business days)
Education and Early Childhood Development	7 May	13 May	4
Justice	8 May	14 May	4
Transport	7 May	13 May	4
Human Services	8 May	12 May	2
Innovation, Industry and Regional Development	8 May	12 May	2
Parliamentary Departments	6 May	8 May	2
Primary Industries	12 May	14 May	2
Treasury and Finance	11 May	12 May	1
Planning and Community Development	11 May	11 May	0
Premier and Cabinet	11 May	11 May	0
Sustainability and Environment	8 May	8 May	0

We hereby resolve that the above two summary tables be incorporated into the 2009-10 Budget Estimates Part Two Report to express our disillusionment with a clear contempt for the Committee by Ministers and Departments, the snubbing of long standing Parliamentary Committee procedures and their appalling lack of accountability.

.....

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

Date: 13th Oct 2009

MINORITY REPORT

REPORT ON THE BUDGET ESTIMATES 2009-10 (PART TWO)

Minority Report by Opposition 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 *Report on the Budget Estimates 2009-10 (Part Two).*

It is our view that the report lacks adequate independent analysis of government and departmental claims, particularly in relation to water savings projects.

This concern was raised with the Committee during the preparation of the report and substantial information was provided to the Committee to highlight the significant public doubts regarding many of the government's claims.

In spite of this, Government Committee members refused to support a number of suggested changes to the draft text which would have, in our opinion, resulted in a more balanced outcome.

As a result, the final report fails to highlight:-

- the significant body of opinion which questions the Government's claimed water savings from Stage I of the Food Bowl Modernisation Project
- the failure of the Government to implement the recommendation of the Auditor General in April 2008 to[1]
  "publish the detailed analysis underpinning the estimates of water savings and costs for the Food Bowl Modernisation Project";

[1] Planning for Water Infrastructure in Victoria. Victorian Auditor-General's report, April 2008

- the failure of the Premier, Minister for Water and DSE to provide to PAEC basic cost benefit information on the $1 billion Food Bowl Modernisation Project.

Further, the final report fails to acknowledge the Government's inconsistency in relation to potential water savings from the Food Bowl Modernisation Project to meet Melbourne's future water needs in that:-

The Government has used:-

- long term historic average inflows to show availability of water savings to pipe to Melbourne from the Goulburn River;
- recent short term (2004-2006) below average inflows in Melbourne catchments to highlight Melbourne's need for water.

Climate change predictions indicate that the Murray-Darling Basin will be particularly hard hit ie reduced rain and reduced inflows into storages – strongly suggesting that use of historical inflows is inappropriate.

The key changes which the Government Committee members refuse to support were to include additional key findings:-

14.3a
The Committee notes the substantial public concern regarding the basis for claimed savings for the Food Bowl Modernisation Project and that as at the time of printing of this report, the Government has not made public the business case for the project in spite of a recommendation by the Auditor-General (in April 2008) to "publish the detailed analysis underpinning the estimates of water savings and costs for the Food Bowl Modernisation Project.

The Committee recommends that the Auditor General's recommendations be actioned immediately.

14.3b
The Committee is concerned about the inconsistency being applied by the Government which uses historical long term water inflows in the Murray Darling Basin to demonstrate availability of savings and uses short term, below average inflows in Melbourne's catchments to demonstrate Melbourne's need for water.

Government Committee members also refused to include in Section 14.2.5 Irrigation:-

> *"However, in 2010/11 Melbourne will receive 75,000 megalitres of water regardless of the level of savings from the Food Bowl Modernisation Project."*

Much of these 75,000 megalitres will come from savings from other projects committed for the environment and environmental reserves held in Lake Eildon.

Therefore, failure to include this balancing statement could leave the reader with a wrong impression regarding the benefits of the projects.

Finally, the Government Committee members voted against a change to the second last paragraph of Section 14.2.5 from:-

> *"Several members of the Committee believed that the Government should provide further details of estimates for water savings (including assumptions used, volumetric targets, construction and operating costs) for significant projects including the NVIRP."*

to

"The Committee believed that ……"

By taking this action the Government Committee members refused to endorse the recommendation of the Auditor General.[2]

In conclusion, we reiterate our concern about the lack of independent critical analysis of Government and departmental claims, particularly in relation to water savings projects and we therefore oppose the adoption of the *Report on the Budget Estimates 2009-10 (Part Two)*.

Future Estimates Reports must adopt the traditional analytical approach to restore proper scrutiny of the State Government.

Kim Wells MP
Shadow Treasurer

Gordon Rich-Phillips MLC
Shadow Minister for Finance,
Community Development and
Information Technology

Richard Dalla-Riva MLC
Shadow Minister for Industry
& State Development
Major Projects and Freedom of
Information

Bill Sykes MP
Shadow Parliamentary Secretary
for Agriculture & Water

13/10/9

[2] Planning for Water Infrastructure in Victoria. Victorian Auditor-General's report, April 2008.

EXTRACT FROM THE MINUTES OF PROCEEDINGS

Monday 10 August 2009

Chapter 12: Thriving Economy.

Motion: Subject to minor amendments that *Chapter 12: Thriving Economy* be agreed to and the chapter adopted.

Moved: Robin Scott MP Seconded: Kim Wells MP

Resolved in the affirmative.

Monday 31 August 2009

Chapter 5: COAG Reform Agenda and Productivity in Victoria

Motion: That *Chapter 5: COAG Reform Agenda and Productivity in Victoria* be agreed to and the chapter adopted.

Moved: Kim Wells MP Seconded: Jennifer Huppert MLC

Resolved in the affirmative.

Chapter 11: Analysis of the Government Response to Recommendations in the Public Accounts and Estimates Committee Report on the 2008-09 Budget Estimates – Part Three

Motion: That *Chapter 11: Analysis of the Government Response to Recommendations in the Public Accounts and Estimates Committee Report on the 2008-09 Budget Estimates – Part Three* be agreed to and the chapter adopted.

Moved: Gordon Rich-Phillips MLC Seconded: Wade Noonan MP

Resolved in the affirmative.

Monday 14 September 2009

Chapter 2: Key Aspects of the 2009-10 Budget

Motion: Subject to minor amendments that *Chapter 2: Key Aspects of the 2009-10 Budget* be agreed to and the chapter adopted.

Moved: Wade Noonan MP Seconded: Richard Dalla-Riva MLC

Resolved in the affirmative.

Chapter 6: General Government Revenue / Revenue Initiatives

Motion: Subject to minor amendments that *Chapter 6: General Government Revenue / Revenue Initiatives* be agreed to and the chapter adopted.

Moved: Richard Dalla-Riva MLC Seconded: Jennifer Huppert MLC

Resolved in the affirmative.

Chapter 11: **Analysis of the Government Response to Recommendations in the Public Accounts and Estimates Committee Report on the 2008-09 Budget Estimates – Part Three**

Motion: That the amendment to *Chapter 11: Analysis of the Government Response to Recommendations in the Public Accounts and Estimates Committee Report on the 2008-09 Budget Estimates – Part Three* (a chapter previously agreed to and adopted on 31 August 2009 by the Committee) be agreed to and re-adopted.

Moved: Bill Sykes MP Seconded: Robin Scott MP

Resolved in the affirmative.

Monday 12 October 2009

Chapter 1: **Introduction**

Motion: That *Chapter 1: Introduction* be agreed to and the chapter adopted.

Moved: Wade Noonan MP Seconded: Sue Pennicuik MLC

Resolved in the affirmative.

Chapter 3: **Management and Accountability for Commonwealth Grants and Funds**

Motion: That Chapter *3: Management and Accountability for Commonwealth Grants and Funds* be agreed to and the chapter adopted.

Moved: Robin Scott MP Seconded: Bill Sykes MP

Resolved in the affirmative.

Chapter 4: **Departmental Asset Investment**

The Committee agreed to a change in the title of the chapter to *General Government Sector Asset Investment*.

Motion: Subject to minor amendments that *Chapter 4: General Government Sector Asset Investment* be agreed to and the chapter adopted.

Moved: Janice Munt MP Seconded: Sue Pennicuik MLC

Resolved in the affirmative.

Chapter 7: **Revenue Foregone/Tax Expenditures, Concessions and Subsidies**

Motion: Subject to minor amendments that *Chapter 7: Revenue Foregone/Tax Expenditures, Concessions and Subsidies* be agreed to and the chapter adopted.

Moved: Bill Sykes MP Seconded: Wade Noonan MP

Resolved in the affirmative.

Chapter 8: Regional Victoria Initiatives and Related Issues

Motion: That *Chapter 8: Regional Victoria Initiatives and Related Issues* be agreed to and the chapter adopted.

Moved: Jennifer Huppert MLC Seconded: Richard Dalla-Riva MLC

Resolved in the affirmative.

Chapter 9: Departmental Output Structures and Performance Measures

Motion: That *Chapter 9: Departmental Output Structures and Performance Measures* be agreed to and the chapter adopted.

Moved: Sue Pennicuik MLC Seconded: Robin Scott MP

Resolved in the affirmative.

Chapter 10: Departmental Workforce – Comparative Analysis

Motion: Subject to minor amendments that C*hapter 10: Departmental Workforce – Comparative Analysis* be agreed to and the chapter adopted.

Moved: Robin Scott MP Seconded: Wade Noonan MP

Resolved in the affirmative.

Chapter 12: Thriving Economy

Motion: That the amendments to *Chapter 12: Thriving Economy* (a chapter previously agreed to and adopted on 10 August 2009 by the Committee) be agreed to and the chapter re-adopted.

Moved: Bill Sykes MP Seconded: Robin Scott MP

Resolved in the affirmative.

Chapter 13: Quality Health and Education

Motion: Subject to minor amendments that *Chapter 13: Quality Health and Education* be agreed to and the chapter adopted.

Moved: Robin Scott MP Seconded: Gordon Rich-Phillips MLC

Resolved in the affirmative.

Chapter 14: Healthy Environment

Motion: That the 14th paragraph under 14.2.5 Irrigation which currently reads:

'Several members of the Committee believed that the Government should provide further details of estimates for water savings (including assumptions used, volumetric targets, construction and operating costs) for significant projects including the NVIRP',

should stay as part of the report but be amended with the deletion of the words 'Several members of' so that the paragraph reads as follows:

'*The Committee believed that the Government should provide further details of estimates for water savings (including assumptions used, volumetric targets, construction and operating costs) for significant projects including the NVIRP.'*

Moved: Gordon Rich-Phillips MLC Seconded: Kim Wells MP

The Committee was divided on the motion:

Ayes	**Nays**
Kim Wells MP	Bob Stensholt MP
Gordon Rich-Phillips MLC	Janice Munt MP
Bill Sykes MP	Jennifer Huppert MLC
Sue Pennicuik MLC	Wade Noonan MP
Richard Dalla-Riva MLC	Robin Scott MP

Under Section 24 of the *Parliamentary Committees Act 2003*, the Chair used his casting vote.

Motion negatived.

Motion: That the following additional key finding under paragraph 14.3 be included:

14.3 a The Committee notes the substantial public concern regarding the basis for claimed savings for the Food Bowl Modernisation Project and that as at the time of printing this report, the Government has not made public the business case for the project in spite of a recommendation by the Auditor-General (in April 2008) to publish the detailed analysis underpinning the estimates of water savings and costs for the Food Bowl Modernisation Project.

The Committee recommends that the Auditor-General's recommendations be actioned immediately.

Moved: Bill Sykes MP Seconded: Kim Wells MP

The Committee was divided on the motion:

Ayes	**Nays**
Kim Wells MP	Bob Stensholt MP
Gordon Rich-Phillips MLC	Janice Munt MP
Bill Sykes MP	Jennifer Huppert MLC
Sue Pennicuik MLC	Wade Noonan MP
Richard Dalla-Riva MLC	Robin Scott MP

Under Section 24 of the *Parliamentary Committees Act 2003*, the Chair used his casting vote.

Motion negatived.

Motion: That the following additional key finding under paragraph 14.3 be included:

14.3 b The Committee is concerned about the inconsistency being applied by the Government which uses historical long term water inflows in the Murray Darling Basis to demonstrate availability of savings and uses short term, below average inflows in Melbourne's catchments to demonstrate Melbourne's need for water.

Moved: Bill Sykes MP Seconded: Kim Wells MP

The Committee was divided on the motion:

Ayes	**Nays**
Kim Wells MP	Bob Stensholt MP
Gordon Rich-Phillips MLC	Janice Munt MP
Bill Sykes MP	Jennifer Huppert MLC
Sue Pennicuik MLC	Wade Noonan MP
Richard Dalla-Riva MLC	Robin Scott MP

Under Section 24 of the *Parliamentary Committees Act 2003*, the Chair used his casting vote.

Motion negatived.

Motion: That the word 'claimed' be added to key finding 14.4 to read as follows:

'One of the claimed benefits of irrigation improvements is that additional environmental flows can be provided for natural waterways. The Committee has recommended that the Government consider volumetric targets and reporting for environmental flows.'

Moved: Sue Pennicuik MLC Seconded: Bill Sykes MP

The Committee was divided on the motion:

Ayes	**Nays**
Kim Wells MP	Bob Stensholt MP
Gordon Rich-Phillips MLC	Janice Munt MP
Bill Sykes MP	Jennifer Huppert MLC
Sue Pennicuik MLC	Wade Noonan MP
Richard Dalla-Riva MLC	Robin Scott MP

Under Section 24 of the *Parliamentary Committees Act 2003*, the Chair used his casting vote.

Motion negatived.

Motion: Subject to agreed amendments that *Chapter 14: Healthy Environment* be agreed to and the chapter adopted.

Moved: Jennifer Huppert MLC Seconded: Robin Scott MP

The Committee was divided on the motion:

Ayes	**Nays**
Bob Stensholt MP	Kim Wells MP

Janice Munt MP	Gordon Rich-Phillips MLC
Jennifer Huppert MLC	Bill Sykes MP
Wade Noonan MP	Richard Dalla-Riva MLC
Robin Scott MP	Sue Pennicuik MLC

Under Section 24 of the *Parliamentary Committees Act 2003*, the Chair used his casting vote.

Resolved in the affirmative.

Chapter 15: Caring Communities

Motion: That *Chapter 15: Caring Communities* be agreed to and the chapter adopted.

Moved: Robin Scott MP Seconded: Bill Sykes MP

Resolved in the affirmative.

Chapter 16: Vibrant Democracy

Motion: That *Chapter 16: Vibrant Democracy* be agreed to and the chapter adopted.

Moved: Robin Scott MP Seconded: Bill Sykes MP

Resolved in the affirmative.

Appendix 1 & Appendix 2:

Motion: That *Appendix 1: Acronyms and Abbreviations* and *Appendix 2: List of Persons and Departments Providing Evidence and Responses to the Estimates Questionnaire* be agreed to and the chapters adopted.

Moved: Kim Wells MP Seconded: Wade Noonan MP

Resolved in the affirmative.

Appendix 3 & Appendix 4:

Motion: That *Appendix 3: Responses to Requests for Clarification on Specific Issues* and *Appendix 4: Responses to Further Information to be provided and Questions on Notice relating to the 2009-10 Budget Estimates* be agreed to and the chapters adopted.

Moved: Wade Noonan MP Seconded: Richard Dalla-Riva MLC

Resolved in the affirmative.

Appendix 5: Timeliness and Quality of Responses from Departments and Ministers

Motion: That a list of all Ministers be published with the date they attended public hearings, the numbers of Questions on Notice, the date of responses to Questions on Notice and the number of days late for a period in excess of 30 days.

Moved: Kim Wells MP Seconded: Bill Sykes MP

The Committee was divided on the motion:

Ayes	**Nays**
Kim Wells MP	Bob Stensholt MP
Gordon Rich-Phillips MLC	Janice Munt MP
Bill Sykes MP	Jennifer Huppert MLC
Sue Pennicuik MLC	Wade Noonan MP
Richard Dalla-Riva MLC	Robin Scott MP

Under Section 24 of the *Parliamentary Committees Act 2003*, the Chair used his casting vote.

Motion negatived.

Motion: That a list of Ministers and the Departments which they are attached to, along with the dates they attended the public hearings and the dates the Questionnaire responses were received by the Committee, be recorded.

The Committee was divided on the motion:

Ayes	**Nays**
Kim Wells MP	Bob Stensholt MP
Gordon Rich-Phillips MLC	Janice Munt MP
Bill Sykes MP	Jennifer Huppert MLC
Sue Pennicuik MLC	Wade Noonan MP
Richard Dalla-Riva MLC	Robin Scott MP

Under Section 24 of the *Parliamentary Committees Act 2003*, the Chair used his casting vote.

Motion negatived.

Motion: Subject to amendments and as revised, that *Appendix 5: Timeliness and Quality of Responses from Departments and Ministers* be agreed to and adopted.

Moved: Robin Scott MP Seconded: Wade Noonan MP

The Committee was divided on the motion:

Ayes	**Nays**
Janice Munt MP	Kim Wells MP
Jennifer Huppert MLC	Gordon Rich-Phillips MLC
Wade Noonan MP	Bill Sykes MP
Robin Scott MP	Richard Dalla-Riva MLC
Sue Pennicuik MLC	

Resolved in the affirmative.

Report Adoption

Motion: That the whole of the *Report on the 2009 10 Budget Estimates Part Two* including all Appendices be adopted and tabled.

Moved: Jennifer Huppert MLC Seconded: Robin Scott MP

The Committee was divided on the motion:

Ayes	**Nays**
Janice Munt MP	Kim Wells MP
Jennifer Huppert MLC	Gordon Rich-Phillips MLC
Wade Noonan MP	Bill Sykes MP
Robin Scott MP	Richard Dalla-Riva MLC
Sue Pennicuik MLC	

Resolved in the affirmative.